

Head 2 - Office of the Prime Ministers

1. Financial Statements

1.1 Opinion

Head 2 - The audit of the financial statements of the Prime Minister's Office 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 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. The summary report containing my comments and observations on the financial statements of the Prime Minister's Office was issued to the Chief Accounting Officer on 28 June 2022 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 was issued to the Chief Accounting Officer on 29 July 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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, the financial statements give a true and fair view of the financial position of the Prime Minister's Office as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Poinion

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 Responsibilities 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 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 Prime Minister's Office 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 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 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 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 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 consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
(a) As overprovisions totaling Rs. 72,000,000 had been made for 02 Objects, only sums to totaling Rs. 58,960,867 of the provisions had been utilized by the end of the year under review. Accordingly, provisions aggregating to Rs. 13,039,133 of the net provision made had been saved. That savings had ranged from 17 per cent to 54 per cent of the net provision made for each Object.	Due to the difficulties to complete the works as planned owing to the Covid epidemic situation that prevailed in the country, restricting the foreign tours and inability to conduct the staff training programmes, provisions have been saved.	The annual expenditure estimates should be prepared accurately and realistically in accordance with F.R.50.
(b) Although liabilities of Rs. 20,691,587 relating to the Prime Minister's Office as at 31 December 2021 had been indicated according to the Treasury computer printouts, those liabilities had not been shown in the statement of commitments and liabilities in the financial statements.	Since it is related to the Secretariat for Coordinating Reconciliation Mechanisms (SCRM), a sub-office functioned under the Prime Minister's Office prior to the years before 2021, it was not included in the statement of commitment and liabilities presented together with the financial statements for the year 2021.	All liabilities should be included in the statement of liabilities.

3. Operating Review

3.1 Performance

(a) While recognizing the improvement of rural economy as a priority task in parallel to the national economy development programme implemented by the Government and accordingly, taking into consideration the services supplied regionally and the relationship of their scopes, the following 04 committees had been established under the coordination of the State Ministries and selected ministries of the Cabinet.

- Social Infrastructure Development Committee
- Livelihood Development Committee
- Local Production Industry Development Committee
- Rural Infrastructure Development Committee

As the initial stage, it had been expected to conduct a district coordination committee meeting in each district by each committee to cover all the districts and to resolve the issues raised in those committees.

The following observations are made in this connection.

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i)	The total number of issues presented to the committee at the meetings conducted in each district was 2,562. Two hundred and eighty six issues had been solved at the time of the respective meeting and 2,276 of the issues so presented were yet to be resolved. The progress of the resolving issues had not been stated in the performance report.	Observations are accepted.	Action should be taken to achieve the maximum performance.
(ii)	The expectation was to identify the relevant issues at regional level through this programme and form a combined development mechanism and thereby achieve the national development goals. Accordingly, although district committee meetings had been conducted incurring higher expenditure, no proposals had been made on the development programmes to be implemented for uplifting the rural economy or no programmes had been prepared thereon.	This information has been taken into account as the basis for allocation provisions by the budget, 2022.	Action should be taken to achieve the maximum performance.

- (b) Discussions had been commenced in April 2021 to launch a formal programme to eradicate the poverty among the youth while focusing attention on the modern market and the technology and to implement a programme for the empowerment of the youth community. The project implementation reports should have been prepared containing the matters such as the manner in which the provisions for the project would be made, required amount of provisions, submission of project proposals to cover the entire project, planning, implementation and supervision of the project and the project should have been implemented obtaining approval therefor. Nevertheless, no activities relating to the implementation of this report had been done even by 31 May 2022.
- Since arrangements were made to implement this programme by the Ministry of Youth and Sports, the relevant Ministry has forwarded the project proposal to the Planning Department of the Ministry of Finance on 23 December 2021.
- The project should be implemented as per a specific plan.

3.2 Assets Management

The following observations are made

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Eleven vehicles provided for the Prime Minister's Office by other institutions had not been properly taken over by the office.	Seven vehicles are in the transport pool of the Prime Minister's office and in the Temple Trees premises, 02 vehicles are in the Ministerial Security Division and the transport pool of the 5 th Executive President, one vehicle is in the personal staff of the former Prime Minister and the remaining vehicle is in a garage for repairs.	Action should be taken to properly take over the vehicles.

- (b) In terms of paragraph 11.1 of the State Finance Circular No. 01/2020 dated 28 August 2020, the unusable goods which are submitted under Form General 47 after the annual board of survey should have been dealt with and completed as appropriate before April 30 of each financial year. Nevertheless, activities relating to 905 unusable items of goods pertaining to the year under review had not been completed even by 30 May 2022.
- Due to the acute dearth of fuel in the country, it was found difficult to carry out disposal activities in the prescribed periods.
- The unusable items should be formally dealt with promptly.

4. Human Resource Management

The following observations are made

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
-----	-----	-----
(a) There were 104 vacancies in the approved cadre of the office as at 31 December 2021, and among those vacancies, 13 senior level positions remained vacant.	Due to the Covid 19 epidemic situation, practical issues cropped up in transferring officers under the normal procedure implemented to fill the staff vacancies in the Prime Minister's Office and therefore, it was not possible to fill the cadre vacancies in the year 2021.	In case the existence of staff vacancies adversely affects the performance of the office, action should be taken to fill the vacancies or to revise the approved cadre.
(b) Although an officer attached to the Prime Minister's Office had been released to another institution, the Prime Minister's Office had paid Rs.573,248 as salary and allowances to the officer in the year 2021.	Officer has been temporarily released as per the request made by the Ministry of Mass Media.	Officers should be formally released so as to be able to receive salary and allowances from their current working place.