

## **Head 5– Office of the Cabinet of Ministers**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Office of the Cabinet of Ministers for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 Office of the Cabinet of Ministers was issued to the Chief Accounting Officer on 23 July 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Office of the Cabinet of Ministers was issued on 01 July 2019 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, 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 Cabinet of Ministers as at 31 December 2018 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**

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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**

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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 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 of the Office.

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 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**

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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 Office'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) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) As there was no requirement of preparation of financial statements for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.
- (b) As there was no requirement of preparation of financial statements by the Office of the Cabinet of Ministers for the preceding year, recommendations on financial statements had not been made by the Office.

## 1.6 Comments on Financial Statements

### 1.6.1 Non-compliance of Financial Statements with Circular Provisions

Even though financial statements should have been prepared in terms of the State Accounts Circular No.267/2018 of 21 November 2018, instances of non-compliance with the said requirement is given below.

| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of the Office</b>   |
|--|---|---|
| (a) In terms of paragraph 3.1 of the Circular, Final Treasury Accounting Statements had not been enclosed to the financial statements as annexures.  | In the preparation of financial statements, action should be taken in terms of circular provisions. | It is agreed with audit observations. It has not been submitted as annexures due to a delay and relevant officers were instructed to take the responsibility for avoiding such situations in future.  |
| (b) Figures of the budget for the year 2018 had not been indicated in the left side coloumn of the statement of financial performance under the Format ACA-F in the financial statements of the year under review. | In the preparation of financial statements, action should be taken in terms of circular provisions. | It is agreed with audit observations. Particulars of the budget of the year 2018 had not been entered in the financial statements by a mistake and relevant officers were instructed to take the responsibility for avoiding such situations in future. |
| (c) Relevant information had not been reported in the Format ACA -2(iii) in the financial statements of the year under review.   | In the preparation of financial statements, action should be taken in terms of circular provisions. | It is agreed with audit observations. Particulars of the budget had not been recorded by a mistake and relevant officers were instructed to take the responsibility for avoiding such situations in future.   |

## 1.6.2 Accounting Deficiencies

### (a) Property, Plant and Equipment

The following deficiencies were revealed in accounting property, plant and equipment.

| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments of the Office</b>   |
|---|---|---|
| (i) The report on non-financial assets had not been issued as at 31 December 2018 by the Department of State Accounts, for assets reported in the statement of non- financial assets under the Format ACA-6 in the financial statements.  | In reporting non-financial assets in the financial statements, action should be taken in terms of paragraphs 3.3, 8.1 and 8.2 of the State Accounts Circular No.267/2018 of 21 November 2018. | There were differences between the data in the Register of Fixed Assets and the CIGAS Programme due to certain issues arisen in entering data on opening balances included in the CIGAS Programme. As such, the report on non-financial assets had not been issued and action is being taken with the assistance of the Department of State Accounts to rectify this situation and as a result, the period required therefor had been extended up to 31.08.2019 by that Department. |
| (ii) The balance of motor cycle loan valued at Rs.312,680, acquisitions valued at Rs.4,700,000 made during the year and disposals valued at Rs.1,643,385 included as at 01 January 2018 in the Format ACA-6 in the financial statements, had not been reported in the Register of Fixed Assets and ledger balances in Treasury printouts according to the CIGAS Programme as at 31 December 2018. | In reporting non-financial assets in the financial statements, action should be taken in terms of paragraphs 3.3, 8.1 and 8.2 of the State Accounts Circular No.267/2018 of 21 November 2018. | Instructions have been given to relevant officers to take necessary measures to include the balance of motor cycle loan and values of disposals, in the CIGAS Programme in consultation with the Department of State Accounts. Measures have been taken to include the value of motor vehicle amounting to Rs.4,700,000 in the CIGAS Programme in January 2019.   |

**(b) Balances of Advance Accounts**  
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The following deficiency was revealed in accounting balances in Advance Accounts as at the end of the year.

| <b>Audit Observation</b><br>-----  | <b>Recommendation</b><br>-----  | <b>Comments of the Office</b><br>-----  |
|--|---|---|
| Even though crediting in cash and cross entries in the Advances to Public Officers B Account during the year under review, had been Rs.2,972,949 and Rs.1,002,938 respectively, in reporting information relating to the Advance Account by the Format ACA-5 in the financial statements, crediting in cash and cross entries during the year, had been reported as 0 and Rs.3,975,887 respectively. | The balance in Advance Accounts as at the end of the year should be indicated in terms of prescribed Formats in the financial statements. | It is agreed with audit observations. Crediting in cash and in cross entries had been brought to account as a total of both, instead of accounting them separately. As such relevant officers have been instructed to take action attentively in accounting them in future. |

**(c) Non-maintenance of Registers and Books**  
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It was observed during the audit test checks that the Office had not maintained the following register.

| <b>Audit Observation</b><br>-----  | <b>Recommendation</b><br>-----   | <b>Comments of the Office</b><br>-----  |
|--|--|---|
| Waiting List of the Distress Loan<br>-----   |  |   |
| It had not been maintained in terms of provisions in Section 10 of the Chapter XXIV of the Establishments Code, National Budget Circular No. 133(1) of 09 March 2017 and Public Administration Circular No.06/2007 of 20 April 2007. | A waiting list of the distress loan should be maintained in terms of provisions of the Establishments Code and relevant circulars. | As the number of employees employed in this Office is limited, a waiting list on applications for distress loans is not available and action is taken to maintain a waiting list in the future. |

**(d) Responsibility of the Chief Accounting Officer**  
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In terms of provisions of Section 38 of the National Audit Act, No.19 of 2018, the Chief Accounting Officer had not taken action on the following matter.

| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of the Office</b>   |
|--|---|---|
| Even though the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists, according to observations in paragraph 4.1 of the report, the said requirement had not been fulfilled. | Action should be taken in terms of provisions of Section 38 of the National Audit Act, No.19 of 2018. | As the Office is not spacious, it was decided to provide necessary facilities to the said officer after establishment of this Office in another spacious place. As such, the Audit is informed that the functions of the post of Internal Auditor cannot be performed in this Office up to now. |

**(e) Non-compliance with Laws, Rules and Regulations**

Instances of non-compliance with provisions of laws, rules and regulations observed at the audit test check, are analyzed below.

| <b>Reference to Laws, Rules and Regulations</b>  | <b>Non-compliance</b>   | <b>Recommendation</b>   | <b>Comments of the Office</b>  |
|--|---|---|--|
| (i) Statutory Provisions<br>Sections 3 and 6 of the Stamp Duty (Special Provisions) Act, No.12 of 2006, published in the Gazette Extraordinary No.1530/13 of 01 January 2008 | In making payments for a sample of 13 vouchers totalling Rs.1,040,344 during the year under review, the relevant stamp duty had not been charged. | Action should be taken in terms of provisions of the Act.               | It is agreed with audit observations. Moreover, action has been taken to fix stamps for payments more than Rs.25,000 by now and to make payments by deducting the stamp value from the value of Invoice. |
| (ii) Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br>Financial Regulations 139(4), 260 and 264  | Evidence for making payments to the correct person by confirming  | Action should be taken in terms of provisions of Financial Regulations. | It is agreed with audit observations. In the issuance of cheques to institutions by which goods and services are supplied, officers have   |

the identity of the payee that the gross amount of the voucher relating to paying sample of 23 vouchers totalling Rs.766,505, had been received, had not been made available.

been instructed to obtain receipts and to place the official stamp in the future.

## 2. Financial Review

### 2.1 Management of Expenditure

Audit observations revealed on preparation of annual budget estimates, transfer of provisions, obtaining provisions from supplementary budget estimates and utilization of them, utilization of provisions and savings, are given below.

| Audit Observation   | Recommendation   | Comments of the Office  |
|---|--|---|
| (a) No expenditure whatsoever had been brought to account during the year under review under 03 recurrent Objects and 01 capital Object for which estimated provisions and net provisions totalling Rs.15,200,000 and Rs.9,935,000 had been made respectively for the year under review and savings of total provisions made under the said 04 Objects had been 100 per cent. | The Chief Accounting Officers should prepare correct estimates in terms of the Financial Regulation 50 and in terms of Financial Regulations 127 (4) and 127 (5), necessary provisions should be made to ensure the responsibility of critically investigating the important differences between the Departmental Estimates and the Expenditure. | It is agreed with audit observations. Failure to hold meetings of Cabinet Secretaries of SAARC during the year 2018, failure to shift this Office to the building located at Keppetipola Mawatha, Colombo 05 in the year 2018 and accounting the cost incurred for official languages training programmes under the Object 2401 had been the reasons for the savings of provisions. |
| (b) No expenditure whatsoever had been incurred from estimated provisions amounting to Rs.800,000 made for  | The Chief Accounting Officers should prepare correct estimates in terms of the Financial Regulation 50 and in terms of Financial Regulations   | Provisions were made under this Object including payment of rates relating to first quarter of the year 2019. However, it had been planned  |

- Object 05-01-01-1404 for the year under review and the said entire provisions had been transferred in terms of Financial Regulation 66/69 to other 02 recurrent Objects.
- 127 (4) and 127 (5), necessary provisions should be made to ensure the responsibility of critically investigating the important differences between the Departmental Estimates and the Expenditure.
- (c) Estimated provisions made for Objects 05-01-01-1403 and 05-01-01-2001 from the year 2016 to the end of the year under review, totalled Rs.16,200,000, Rs.16,500,000 respectively and savings of estimated provisions had been 100 per cent and 99 per cent relating to two Objects during 03 years.
- The Chief Accounting Officers should prepare correct estimates in terms of the Financial Regulation 50 and in terms of Financial Regulations 127 (4) and 127 (5), necessary provisions should be made to ensure the responsibility of critically investigating the important differences between the Departmental Estimates and the Expenditure.
- (d) Savings out of net provisions of Rs.2,750,000 made for 01 recurrent Object and 02 capital Objects, amounted to Rs.2,264,059 and ranged between 76 per cent and 85 per cent of provisions made.
- The Chief Accounting Officers should prepare correct estimates in terms of the Financial Regulation 50 and in terms of Financial Regulations 127 (4) and 127 (5), necessary provisions should be made to ensure the responsibility of critically investigating the important differences between the Departmental Estimates and the Expenditure.
- (e) Original expenditure estimates totalling Rs.19,200,000 made for 08 Objects, had been revised up to Rs.10,265,000 as at the end of the year and accordingly, the total decrease in the original expenditure estimates of those 08 Objects had been 47 per cent and decrease in
- to relocate the Office in another place at the beginning of the year 2019. As such, rates relating to first quarter of the year 2019 had not been paid from provisions of the year 2018, thus indicating savings of these provisions.
- It is agreed with the audit observation. However, these provisions have been saved due to failure in relocating this Office in another place as planned and due to certain matters which could not be controlled by this Office.
- As it had been planned to relocate this Office in another place, only minimum essential repairs had been carried out and repairs of machinery had not been carried out as expected. Moreover, even though provisions had been made for the purchase of air conditioners after relocating of this Office, this Office could not be relocated in another place as expected. Thus, these provisions had been saved.
- It is agreed with audit observations. Provisions had been saved due to reasons such as failure in distributing relevant documents to Cabinet meetings due to failure in deploying officers effectively and efficiently to hand over documents to other institutions and due to political changes



each Object ranged from 27 per cent to 90 per cent. Departmental Estimates and the Expenditure.

occurred at the end of the year 2018, obtaining transport allowance only by two officers, transferring of expenditure on food, other entertainments and cleaning activities of officers who serve at night, to most suitable Objects, incurring expenditure economically and failure in applying for property loans by qualified officers etc.

- (f) Original expenditure estimates totalling Rs.19,700,000 made for 07 Objects had been revised up to Rs.26,120,00 as at the end of the year and accordingly, the total increase in the original expenditure estimates of those 07 Objects had been 33 per cent and increase in each Object ranged from 08 per cent to 600 per cent. The Chief Accounting Officers should prepare correct estimates in terms of the Financial Regulation 50 and in terms of Financial Regulations 127 (4) and 127 (5), necessary provisions should be made to ensure the responsibility of critically investigating the important differences between the Departmental Estimates and the Expenditure. It is agreed with the audit observation. Excess provisions were needed due to reasons such as deploying of officers in public holidays and weekends, increase in prices of stationery, increase in prices of fuel, increase in the cost of maintenance of motor vehicles due to exceeding 05 years of age of motor vehicles, carry out several repairs of motor vehicles allocated for officers who are entitled to official vehicles, increase in market price of certain office equipment and incurring total expenditure by the Office for an unexpected foreign tour of a Staff Officer.

## 2.2 Incurring of Liabilities and Commitments

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| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of the Office</b>   |
|--|---|---|
| (a) In terms of Financial Regulation 94(2), only liabilities totalling Rs.443,635 relating to annual recurrent | Liabilities should be indicated in financial statements, in terms of provisions of Financial Regulations. | It is agreed with audit observations. All commitments and liabilities have been indicated in the statement of liabilities |

expenditure on supplies and services, should be indicated in the statement of liabilities under Notes (iv) to financial statements. Nevertheless, all commitments and liabilities indicated under Note (iii) to financial statements had been reported therein.

- (b) In terms of paragraph 3.4 of the State Accounts Circular No.267/2018 of 21 November 2018, the Statement of Liabilities and Commitments under Note (iii) to financial statements, should be in line with the Statement of Commitments and Liabilities issued by the Treasury in regard to each Expenditure Head. Even though commitments and liabilities for recurrent expenditure reported under Note (iii) to financial statements totalled Rs.650,349, commitments and liabilities issued by the Treasury on behalf of the Office totalled Rs.960,582 comprising Rs.784,179 for recurrent expenditure and Rs.176,403 for capital expenditure .

Action should be taken in terms of circular provisions in accounting commitments and liabilities and reporting them in financial statements.

by a mistake. The relevant officers have been instructed to take the responsibility for avoiding such situations in the future.

The Statement of Commitments and Liabilities has included information entered in the CIGAS Programme by us for applying for imprests in December 2018 and all those commitments had been settled by 31 December 2018.

### 3. Operating Review

#### 3.1 Non-performance of Functions

The Office had failed to fulfill the requirement of establishment of the Office in another building from the year 2016 to 01 July 2019 and as such, the following matters were observed.

| <b>Audit Observation</b>   | <b>Recommendation</b>  | <b>Comments of the Office</b>  |
|--|--|--|
| (a) Budgetary provisions totalling Rs.16,500,000 had been made for rehabilitation and improvement of proposed buildings for the location of the Office premises from the year 2016 to the end of the year under review. However, the expenditure during the said 03 years totalled Rs.145,816 only. As such, the savings of the estimated provisions had been 99 per cent. | The Chief Accounting Officers shall prepare accurate estimates in terms of Financial Regulation 50 and in terms of Financial Regulations 127(4) and 127(5), necessary provisions should be made to ensure the responsibility of critically investigating the important differences between the Departmental Estimates and the Expenditure.   | It is pointed out that provisions have been saved due to the inability of shifting this office to the building at Keppetipola Mawatha or to the building located at Shravasthi premises, as planned. |
| (b) Even though budgetary provisions totalling Rs.5,500,000 had been made for acquisition of capital assets during the year 2017 and the year under review, the expenditure during the two years totalled only Rs.1,430,245. As such, the savings of the estimated provisions had been 65 per cent.  | The Chief Accounting Officers shall prepare accurate estimates in terms of Financial Regulation 50 and in terms of Financial Regulations 127 (4) and 127 (5), necessary provisions should be made to ensure the responsibility of critically investigating the important differences between the Departmental Estimates and the Expenditure. | It is pointed out that provisions have been saved due to the inability of shifting this office to the building at Keppetipola Mawatha or to the building located at Shravasthi premises, as planned. |

### 3.2 Delays in the Execution of Projects

| Audit Observation   | Recommendation   | Comments of the Office   |
|---|--|--|
| <p>Provisions totalling Rs.13,000,000 had been made by budget estimates in the years 2015, 2016 and 2017 as capital investments for establishment of preservation of documents and management methodologies with the motive of preservation of documents of the Office and obtaining copies of the said documents speedily under a computerized system when required. Nevertheless, the said project had not been implemented up to the end of the year 2017.</p> | <p>Follow up action should be taken relating to reasons for implementation or non-implementation of proposed projects.</p> | <p>It is agreed with the Audit observation. It is pointed out that a considerable period was taken for planning of the project due to the technical complexity of the proposed project. The ICTA Institute has called for <b>statement of consent</b> on 19 August 2018 from interested parties for obtaining necessary services to implement the said project. Accordingly, action is being taken at present by the said Institute to implement the said project.</p> |
| <p>However, the Information and Communication Technology Agency (ICTA) had agreed to incur the total expenditure of the project including planning and implementing the project. As such, despite failure in making provisions for the year under review relating to this project, action had not been taken to complete the project even in the year under review by the relevant institution.</p>   |  |  |

### 3.3 Procurements

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 The following observations are made.

| Audit Observation  | Recommendation   | Comments of the Office   |
|--|--|--|
| -----  | -----  | -----  |
| (a) The total net provision made for Object 1201- stationery and office requirements in the year under review had been Rs.5,000,000 and the net expenditure as at the end of the year amounted to Rs.4,942,719. However, the said procurement activities had not been included in the Annual Procurement Plan.   | Expending of provisions made by annual budget estimates should be carried out in terms of provisions in the Government Procurement Guidelines.   | Purchase of stationery had not been included in the Annual Procurement Plan as they are goods of consumable nature. However, in future action will be taken to include such purchases as well in the Annual Procurement Plan.  |
| (b) The procurements carried out during the year under review under Object 2102, had not been carried out within the time frames indicated in the Procurement Plan. Moreover, the estimated cost of procurements under the said Object totalled Rs.4,000,000. According to the Procurement Plan, the procurements relating to the estimated cost of Rs.1,050,000 for purchase of furniture for the building at Keppetipola Mawatha had not been carried out. However, the total expenditure of the year under review under the said Objective had been Rs.4,228,509. | In expending of provisions made by annual budget estimates, plans should be made by accurately identifying the Objects accounted and responsibility should be taken to carry out procurements accordingly. | According to the nature of duty in this Office, staff officers are engaged in procurement activities as well. Moreover, in certain instances, procurement time frames cannot be adhered to, in terms of Procurement Guidelines. Even though provisions of Rs.4 million had been made under Object 2102, a sum of Rs.228,509 had been spent exceeding provisions due to purchase of office equipment for daily duty requirements during the year. |

- (c) Instances of non-compliance with provisions in the Government Procurement Guidelines in the purchase of a multi-purpose photo copying machine valued at Rs.2,047,000 during the year under review, appear below.

| <b>Procurement Guidelines</b>               | <b>Non-compliance</b>   | <b>Recommendation</b>   | <b>Comments of the Office</b>  |
|---|---|---|--|
| -----                                       | -----   | -----   | -----  |
| (i) 2.5.1 (b)<br>2.6.1 (a)(i)<br>2.8.3, 4.3 | Preparation of Time Schedules, appointing the Technical Evaluation Committee and preparation of a Total Cost Estimate had not been carried out.   | Action should be taken in terms of provisions in the Government Procurement Guidelines.   | It is agreed with Audit observations. Instructions were given to relevant officers to prepare a Procurement Time Schedule and to prepare Total Cost Estimates and to take necessary action to properly establish Technical Evaluation Committees.  |
| (ii) 5.3.13, 5.3.10, 6.3.1(b), 5.2 and 5.3  | Action had not been taken in terms of provisions in the Government Procurement Guidelines relating to the value of the bid security, bid validity period, the form of bid security and preparation of bidding documents and the formats had not been prepared in terms of Standard Bidding Document No.NPA/Goods/SBD 01 for the National Competitive Bidding. | Procurement activities should be carried out in terms of provisions in the Government Procurement Guidelines and formats of Standard Bidding Documents. | Agreed with Audit observations. Instructions were given to relevant officers to determine the value of the bid security after preparing a Total Cost Estimate in future procurements, to use Standard Bidding Documents, to prepare documents which should be included under each part in the Standard Bidding Documents and to use prescribed formats therefor. |
| (iii) 6.1.1.(a)<br>6.1.4                    | and Action had not been taken in terms of provisions on issue of  | Action should be taken in terms of provisions in the  | Agreed with Audit observations. The relevant officers  |

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|            | bidding documents.   | Government Procurement Guidelines.   | have been instructed to pay attention to such matters in future procurements.   |
| (iv) 6.3.6 | Details relating to opening of bids had not been reported in terms of prescribed formats.  | Action should be taken in terms of provisions in the Government Procurement Guidelines and the Procurement Manual.   | Agreed with Audit observations. Reporting of information relating to opening of bids in accordance with relevant formats has been commenced by now. |
| (v)        | The standard agreement format indicated in Guidelines 8.9.1 (b) and 8.9.3 and Section VIII of the Standard Bidding Document No.NPA/Goods/S BD 01 | In terms of the standard agreement format, a contract had not been entered into. Moreover, an agreement had not been entered into with the contractor relating to the maintenance cost to be incurred after expiry of the guarantee period of the machine and confirmation that spare parts are available up to 05 years after purchase. | Action should be taken in terms of the Government Procurement Guidelines and in accordance with the formats of Standard Bidding Documents.          |

(d) The matters observed in Audit relating to procurement processes relevant to purchase of 05 computers, 03 Lap Tops and 20 UPS devices valued totalling Rs.1,185,000, were as follows.

| <b>Procurement Guidelines</b> | <b>Non-compliance</b>   | <b>Recommendation</b>   | <b>Comments of the Office</b>   |
|-------------------------------|---|---|---|
| -----                         | -----   | -----   | -----   |
| (i) 2.5.1(b) and 2.6.1(a) (i) | A Procurement Time Schedule had not been prepared and the procurement had not | Action should be taken in terms of provisions in the Government Procurement | Agreed with Audit observations. The relevant officers have been instructed to |

|  |   |   |  |
|--|---|---|--|
|  | been carried out within the periods indicated in the Procurement Plan prepared for the year under review.   | Guidelines.   | prepare a Time Schedule and to carry out the procurement process accordingly.  |
| (ii) 2.8.3, 4.3  | The Technical Evaluation Committee had not been appointed in terms of provisions in the Government Procurement Guidelines and the format indicated in Procurement Guidelines Reference 2.7.4 of the Procurement Manual and a Total Cost Estimate had not been prepared as well. | Action should be taken in terms of provisions in the Government Procurement Guidelines and the Procurement Manual.  | Agreed with Audit observations. The relevant officers have been instructed to use prescribed formats in the appointment of Technical Evaluation Committees in future procurements. It has been noted to make the relevant appointments by us in future. Moreover, the relevant officers have been instructed to prepare a Total Cost Estimate in future procurements.            |
| (iii) 5.2, 5.3, 5.3.13                                       | The value of bid security had not been decided in terms of relevant provisions in the Guidelines and in accordance with Standard Bidding Document No. NPA/SBD/Goods/01, formats of Bidding Documents had not been prepared.   | Procurement activities should be carried out in terms of provisions in the Government Procurement Guidelines and in terms of formats in Standard Bidding Documents. | Agreed with Audit observations. Moreover, in future procurements, the relevant officers have been instructed to prepare a Total Cost Estimate and afterwards to follow the instructions of the Procurement Guidelines and to decide the value of the Bid Security. Further, the relevant officers have been instructed to use Standard Bidding Documents in future procurements. |
| (iv) 5.3.16 (b), (c) and 7.9.2 (p) of the Procurement Manual | In evaluation of bids and in taking decisions, action had been taken contrary to relevant   | Action should be taken in terms of provisions in the Government Procurement   | Agreed with Audit observations. The relevant officers have been strictly advised to  |



|                     |  |   |  |
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|                     | provisions.  | Guidelines and the Procurement Manual.  | be attentive relating to this matter.  |
| (v) 8.5.1 and 8.5.2 | Notifying the bidders of the decision of the Procurement Committee on bids and awarding of contracts to selected bidders had not been carried out in terms of relevant provisions.   | Action should be taken in terms of provisions in the Government Procurement Guidelines. | Agreed with Audit observations. The relevant officers have been instructed to notify all bidders of decisions of the Procurement Committee in future procurements. |
| 8.9.1 (b) and 8.9.3 | The value of the contract agreement entered into, for purchase of 05 computers and 03 Lap Top computers totalling Rs.1,115,000 according to the Annexure attached to the agreement was not correct and the official stamp of the contractor had not been placed in the contract agreement. | Action should be taken in terms of provisions in the Government Procurement Guidelines. | Agreed with Audit observations. The relevant officers have been instructed to attach relevant documents to the agreement and update them as pointed out by Audit.  |

### 3.4 Assets Management

The following observations are made.

| <b>Audit Observation</b>  | <b>Recommendation</b>  | <b>Comments of the Office</b>  |
|---|--|--|
| Losses from two motor vehicle accidents amounting to Rs.65,111 shown in Format Note (ii) of the financial statements had not been recovered as at 31 December 2018. | Action should be taken in terms of Financial Regulations relating to recovery of losses. | There were no adequate motor vehicles to be deployed in the daily duties of the Office. As such, the motor vehicle which met with an accident on 14 September 2018 could not be sent for repairs. Moreover, the other motor vehicle is of the make Micro and the relevant spare parts were not available with the institution and as such, the repairs had been delayed. |

#### **4. Good Governance**

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##### **4.1 Internal Audit**

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#### **Audit Observation**

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#### **Recommendation**

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#### **Comments of the Office**

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An officer (Sri Lanka Accountancy Service I) had been appointed for duties in the post of Internal Auditor. However, internal audit activities had not been implemented up to the end of the year under review due to limited space in the Office.

Action should be taken in terms of provisions in Section 40 of the National Audit Act, No.19 of 2018 relating to internal audit of the Office.

There is no specific requirement of a post of Internal Auditor for this Office by incurring an additional expenditure due to matters such as the lack of budgetary provisions allocated for this Office as compared with other Government institutions, non-implementation of various projects or programmes by this Office as in other Government institutions.

#### **5. Human Resources Management**

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##### **5.1 Approved Cadre, Actual Cadre and Vacancies**

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The approved cadre, actual cadre and vacancies as at 31 December of the year under review, stood at 115, 75 and 75 respectively.