

Head - 05 Office of the Cabinet of Ministers

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Office of the Cabinet of Ministers 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 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 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 06 July 2020. In terms of 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 19 August 2020 to the Chief Accounting Officer. This report is submitted to Parliament in terms of Section 10 of the National Audit Act, No. 19 of 2018, which should be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 State Accounts Circular bearing No. 271/2019 of 03 December 2019 give a true and fair view of the financial position of the Office of the Cabinet of Ministers as at 31 December 2019, and of its financial performance and 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 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 qualified opinion.

1.3 Responsibility 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 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 Section 16 (1) of the National Audit Act, No. 19 of 2018, the Office of the Cabinet of Ministers 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 of the Cabinet of Ministers.

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 Cabinet of Ministers 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 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 skepticism 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 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 Section 6 (1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements of the year under review are consistent with the preceding year.
- (b) Recommendation pointed out by me on the financial statements related to the preceding year had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Financing Officer
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(a) The value of 06 leased vehicles totaling to Rs. 51,340,000, that had been purchased by the Cabinet Office during the year under review had not been brought to accounts in terms of Section (g) under 05 (b) of the National Budget Circular bearing No. 03/2018 of 16 July 2018 and the letter No. SA/AS/AA/Circular of 19 August 2019.	When reporting lease assets in financial statements, the relevant provisions of the Circular should be followed.	I agree with the audit observation. The full value of the 06 vehicles purchased under a financial lease had not been included in the CIGAS programme by mistake. I noted down to account the relevant values accurately in the future.

- (b) Even though purchases of leased assets (passenger vehicles) valued at Rs. 51,340,000 should be recorded as purchases during the year in the statement of non-financial assets under the ACA-6 format of the financial statements, only a value of Rs. 3,086,628 had been recorded under that.
- When reporting lease assets in financial statements, the relevant provisions of the Circular should be followed.
- I agree with the audit observation. Only the value of the lease installments paid so far had been included by mistake.

1.6.2 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Recommendation	Comments of the Chief Accounting Officer
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FR 104 of the Democratic Socialist Republic of Sri Lanka	Reports that should be prepared in order to indicate that inquiry has been finalized in terms of FR 104 in relation to the losses amounting to Rs.52,369 occurred due to two accidents on 13 September and 30 October 2018 and the total loss of Rs.386,092 occurred due to 05 accidents during the year under review had not been presented to audit even by 25 June 2020.	Prescribed reports should be prepared in terms of provisions of FR 104 regarding losses/damages and copies of such reports should be presented to the Auditor General.	The Hon. Attorney General has been informed to take necessary steps to recover these losses and no definite reply has been received so far in this regard. I kindly inform you that the investigation reports and final reports regarding the losses occurred due to 05 vehicle accidents will be submitted to audit in accordance with the financial regulations.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Financing Officer
(a) During the year under review, any expenditure had not been brought to accounts under Recurrent Expenditure of Object Code 1102 and Capital Expenditure of Object Codes 2001 and 2103, for which the total amount of estimated provision and net provision was Rs. 17,500,000. The savings from total provision made under the 03 Objects at the end of the year was 100 per cent.	The Chief Accounting Officer shall act in accordance with FR 50 and prepare accurate estimates and necessary arrangements should be made to ensure that significant changes between the provisions made and the expenditure in the estimates of the Department are strictly scrutinized in terms of FR 127 (4) and 127 (5).	Expenditure has been saved under the expenditure control systems carried out in incurring Government Expenditure as per Budget Circular No. 04/2019 of 17.06.2019 issued due to the existence of barriers for the economic activities since unexpected events took place in the country in April 2019.
(b) As per the decision of the Cabinet of Ministers of 16 May 2018, Rs. 26,450,274 has been saved from the net provision of Rs. 27,820,000 made for 02 Recurrent Objects and 03 Capital Objects during the year under review for the establishment of the office in a part of the Shravasti building premises and it was in the range of 61 to 100 per cent of the provision made.	The Chief Accounting Officers shall act in accordance with FR 50 and prepare accurate estimates and necessary arrangements should be made to ensure that significant changes between the provisions made and the expenditure of the estimates of the Department are strictly scrutinized in terms of FR 127 (4) and 127 (5).	I agree with the audit observation.

- (c) Even though there was no change in the office premises until the end of the year under review as per the approvals of the Cabinet of Ministers, the total expenses incurred by the Cabinet Office from 14 August 2017 to the end of the year under review for obtaining quality reports for two unused buildings, for which such approval had been taken and for security duties and for water and electricity bills was Rs. 2,423,486.
- Expenditure should be incurred in a planned manner and economically.
- A total of Rs. 2,423,486 had been paid during the period comprised of an amount of Rs. 2,118,900, for obtaining the security services of the Department of Civil Defense for the security of the installed equipment including the few buildings in the premises of the Shravasthi Mandiraya, which was temporarily allocated for the Cabinet Office, an amount of Rs. 188,600, which is 5% of the total water and electricity bills of that Department, an amount of Rs. 115,986 for obtaining quality reports of the buildings.

3. Operational Review

3.1 Annual Performance Report

Audit Observation	Recommendation	Comments of the Chief Financing Officer
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The Annual Performance Report, which should be submitted to the Auditor General along with the financial statements for the year 2019, had not been submitted even by 17 August 2020.	Action should be taken in accordance with the provisions of the Circulars and the Audit Act.	Comments had not been made.

4. Human Resource Development

Information pertaining to the approved, actual staffs and vacant posts in the staff as at the last day of the year under review is mentioned below.

Type of Employees	Approved Number	Actual number	Number of Vacancies
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(i) Senior Level	25	17	08
(ii) Tertiary Level	10	09	01
(iii) Secondary Level	38	28	10
(iv) Primary Level	40	29	11
(v) Others - (Casual/Contract /Temporary)	06	03	03
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Total	119	86	33
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