

Head-16- Parliament of Sri Lanka

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Parliament of Sri Lanka 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. The summary report containing my comments and observations on the financial statements of the Parliament of Sri Lanka was issued to the Chief Accounting Officers on 04 August 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the Parliament of Sri Lanka was issued to the Chief Accounting Officer on 16 November 2020 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 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 the Paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the provisions in the State Accounts Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Parliament of Sri Lanka 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 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management determine 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 Parliament of Sri Lanka 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.

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 Parliament of Sri Lanka 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 Parliament'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 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 were consistent with the preceding year.
- (b) The recommendations made by me with regard to the financial statements of the preceding year regarding the observations included in Paragraph 1.6.4 (a) of this report had not been implemented.

1.6 Comments on the Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>There were differences between the numerical figures in the budget, 2019 and the value stated in the financial statements of the year 2019 in terms of salaries, wages and other benefits by Rs. 950,000, goods and services by Rs. 19,428,000, subsidy, grants and transfers by Rs. 64,260,000, total recurrent expenditure by Rs. 84,638,000 and capital assets acquisitions by Rs. 325,000.</p>	<p>The numerical figures in the budget, 2019 and the value stated in the financial statements for the year 2019 should be equal.</p>	<p>Those are tallied with Form ACA2(1) and ACA(f). The total of expenditure on other goods and services includes the total of travelling expenditure. The installment on lease has been included under the acquisition of capital assets. Figures are tallied with the total recurrent expenditure as per Form ACA 2(1). Although expenditure on domestic and foreign travelling has been included in the total value of salaries, wages and other employee benefits in the budget estimates, it has been included under the goods and services in the financial statement.</p>

1.6.2 Statement of Financial Position

The following observations are made

Audit Observation

Recommendation

Comment of the Chief
Accounting Officer

- | Audit Observation | Recommendation | Comment of the Chief Accounting Officer |
|--|---|---|
| (a). The balance payable for the leased assets as the end of the year under review and the lease investment value of Rs.8,425,718 had not been correctly shown in the trial balance and accordingly, the remaining amount worth Rs.8,425,718 had not been included as lease investments under the Non-financial Assets (Form ACA-P) and as lease creditors under the current liabilities in the Statement of Financial Position for the year under review. | In reporting leased asset in the financial statements, remaining value should be included as lease investments under non-financial assets and as lease creditors under current liabilities. | When initially accounting for the value of leased assets, only the installments had been mistakenly brought to account instead of the total value of the asset and subsequently, it was rectified through the State Accounts Department. Further, the value of leased creditors has been shown under Property, Plant and Equipment reserve in Form ACA-P and there is no place to separately include it as per the Treasury Format. |
| (b) Five motor bicycles and a Tata bus, included in the performance report as to be disposed of in the year 2019, had not been included in the Statement of Non-financial assets (Form ACA 06) under the disposals. | Disposals should be included in Form ACA 06 under the disposals. | Agree.
As the receipt orders had not been received properly in the year 2019, those were not removed from the assets and it has been accounted for and finalized in the year 2020. |
| (c) Even though the details on assessing non-current assets have been stated in Paragraph 03 of the State Accounts Circular No.SA/AS/AA dated 24 January 2013, the buildings and lands with housing complex at Madiwela, Senpathi Medura in Nuwara Eliya, Methsevana and Srawasthri Mandiraya in Anuradhapura owned by Parliament had not been assessed and brought to account. | Lands and buildings should be assessed and brought to account in terms of Circular No.SA/AS/AA dated 24 January 2013. | Agree, all necessary documents have been forwarded to the Department of Valuation and those will be brought to account after the receipt of relevant assessment. |

- (d) The assets received by Sri Lanka Parliament as donations had not been included in a Register of Donation and action had not been taken to assess and account for those assets. Donations should be accounted for including in a Register of Donation. Agree. All the valued assets have been accounted for and arrangements have been made of to account for all other assets on the receipt of their valuation and to prepare the Register of Donation in the year 2020.

1.6.3 Other Observations on the Financial Statements

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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Losses totalling Rs. 459,617 resulting from 02 vehicle accidents caused during the year under review and the damages caused to the sound system of the Chamber of the House and compartments of the officers due to unrest situation arose in the Chamber of the House and the loss of Rs. 172,251 to be further recovered/written off or omitted had not been included in the Statement of Writing Off from Books (Note ii) of the Financial Statements, 2019 and that loss had been included in the Statement of Losses and Waivers (Note i).	Inclusions should be made in the relevant formats.	Agree.

1.6.4 Advance Accounts Balances

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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The balance of the Advance Control Account as at 31 December 2019 was Rs. 124,446,206 and the total of the individual balance classification summary was Rs.123,947,946. Accordingly, a difference of Rs. 498,260 was observed.	The balance of the Advance Control Account and total of the individual balance classification summary should be tallied.	Although the balances recovered from the retirement gratuity at the time of retirement of the staff members have been settled by cross entries, those balances have not been removed from the computer programme and it has resulted in the difference between the balances of the Advance Control Account and total of the individual balances.

1.6.5 Non-compliance with laws, rules and regulations

The following non-compliance with laws, rules and regulations were observed.

	Observation -----	Recommendation	Comment of the Chief Accounting Officer
Reference to laws, rules and regulations -----	Non-compliance -----	-----	-----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----	Financial Regulation 104, 109	Copies of the Reports General 283, 284 and 285 to be prepared in accordance with Financial Regulations regarding losses of Rs. 747,482 incurred due 10 accidents caused in the year 2019 had not been furnished.	Action should be taken in accordance with the Financial Regulations. Agree.
(b) State Finance Circulars -----	Paragraph 03 of the Circular No.05/2016 dated 31 March 2016.	The board of survey process 2019 had not been completed and a copy of the report thereof had not been furnished to the Auditor General within the prescribed time frame.	The board of survey process of survey for the year 2019, which was hampered due to the Covid pandemic, has been initiated in the year 2020. Agree. The board
(d) The Combined Services Circular No. 02/2017 dated 04 May 2017 issued by the Ministry of Public Administration and Management and Section 3.1 of the Circular No.2004/Lib/1(2016-Amendment) dated 22 December 2016 of National Library and Documentation Service Board.	The survey on the library books to be conducted as at 31 December 2019 had been conducted on 06 December 2019 and there was a shortage of 91 books as at that date.	Action should be taken as per the Financial Regulations in respect of shortages.	The survey on the library books of Parliamentary Library of pertaining to the year 2019 has been conducted.

2. Financial Review

2.1 Reconciliation Statement on the Advances to Public Officers' Account

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
----- In terms of Reconciliation Statement on the Advances to Public Officers' Account presented to audit, the balances that remained outstanding as at 31 December 2019 totalled Rs. 2,879,893 except for the loan balances due from the transferred officers. Although Rs. 1,394,202 of the said amount continued to exist over a period from 01 to 24 years, it had been failed to recover that outstanding loan balances.	----- Action should be taken to recover the outstanding loan balances.	----- Every possible effort was made to recover the outstanding loan balances. Accordingly, a sum of Rs. 384,502 could be recovered during the year 2019.

2.2 Incurring Commitments and Liabilities

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
----- (a). According to Paragraph 3.4 of the State Accounts Circular No.271/2019 dated 03 December 2019, the Statement of Commitments and Liabilities under the Note iii should be reconciled with the Statement of Commitments and Liabilities issued by the Treasury in relation to each expenditure head and any unreported commitment or liability shall not be settled in the year 2020 as an expenditure for the preceding year. Nevertheless, recurrent expenditure of Rs.216,177,251 not included in the Statement of Commitments and Liabilities issued	----- The Statement of Commitments and Liabilities should be reconciled with the Statement of Commitments and Liabilities issued by the Treasury relating to each expenditure head.	----- The value stated in the Statement of Commitments and Liabilities issued by the Treasury relating to each expenditure head is not correct as referred to in the audit query.

by the Treasury in relation to each expenditure head had been settled in the year 2020.

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|------|---|--|---|
| (b). | Commitments and liabilities totalled Rs. 7,521,315 reported in Note (iii) of the Financial Statements had not been included in the Record of Liabilities. | Commitments and liabilities should be in line with the Record of Liabilities. | As the bills were not received at the time of preparing accounts reports, those could not be incorporated in the Record of Liabilities. |
| (c). | Liabilities of Rs. 37,166,928 included in the Record of Liabilities as payable liabilities had not been reported in the Note (iii) of the financial statements for the year under review. | Commitments and liabilities should be reconciled with the Record of Liabilities. | Due to the delays in sending details to the Finance Division, it has not been possible to include them in Note (iii) of the financial statements. However, relevant officials were instructed to prevent such delays in the future. |
| (d). | In terms of Financial Regulation 94 (2), only the liabilities under the Object pertaining to the expenditure on annual recurrent services or supplies should be stated under the Note (iv) of the financial statements. Nevertheless, liabilities totalling Rs. 15,424,808, which were not applicable to the commitments and liabilities under the supplies and services, had been shown under the Note (iv). | Action should be taken in accordance with the Financial Regulations. | As the relevant divisions had submitted further liabilities after the due date, those liabilities too had to be included in the Liability Record. However, relevant officials were instructed to prevent such delays in the future. |

3. Operating Review

3.1 Performance

The following observations are made.

- (a) Conduct of Parliamentary Sessions
- Plans had been drawn to conduct 93 Parliamentary sessions during the year 2019 and 90 sessions had been conducted during the year. The attendance of Hon. Parliamentarians for those 90 sessions was as follows.

Number of Hon. Parliamentarians Attended	No. of sessions conducted
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From 01 to 25	00
From 26 to 50	01
From 51 to 75	03
From 76 to 100	06
From 101 to 125	13
From 126 to 150	21
From 151 to 175	26
From 176 to 200	16
From 201 to 225	04

Total	90
	=====

According to the above details, participation of less than 50 Parliamentarians was recorded for one session out of the total number of 90 meeting sessions and more than 200 Hon. Parliamentarians had participated in 04 meeting sessions.

(b) Passing Bills

Out of 41 Government Bills Presented in Parliament 24 Bills had been passed and the number of Bills presented by the Parliamentarians as personal proposals was 06.

(c) Committee on Public Accounts

The Committee on Public Accounts had conducted 31 committee meetings on 31 occasions during the year 2019 to report the performance and current affairs of 20 institutions to Parliament and conducted 11 investigations on specific matters. Three reports including the investigations conducted on 03 Government institutions had been presented to Parliament in the year 2019.

(d) Committee on Public Enterprises

The Committee on Public Enterprises had conducted committee meetings during the year 2019 to report the performance and current affairs of 37 institutions to Parliament and 04 reports regarding the institutions subjected to the investigations had been presented to Parliament.

(e) Committee on Public Petitions

The number of petitions received by the Committee stood at 586 during the year 2019 and 421 of those petitions had been considered by conducting 33 committee meetings during the year. Of which, 179 petition files had been completed and relief provided to 06 petitioners.

3.2 Acquisition of the GovoJana Mandiraya

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>In accordance with the Cabinet Paper No. 15/1301/702/007 dated 21 September 2015 titled “Reformation of Parliamentary Committee System and the Need for Additional Office Spaces”, 02 proposals had been made to take alternative measures to meet the space requirement of Parliament and according to the first proposal, it had been decided that the acquisition of the Govigana Mandiraya in which the Ministry of Agriculture was housed would be more effective.</p>	<p>It is appropriate to implement only the achievable policies and decisions.</p>	<p>With the decision taken by the Government in the year 2015 to implement the Sectoral Monitoring Committee System, a difficult challenge had to be faced regarding the provision of required spaces for that purpose. Accordingly, the Cabinet granted approval for Government proposal to acquire the Govijana Mandiraya in which the Ministry of Agriculture was then established to Parliament. As a dire need had arisen to renovate this building, which had completed 21 years from its construction, to suit to conduct Parliamentary Committee meetings, it was decided to assign that responsibility to the Sri Lanka Navy under the supervision of the Urban Development Authority. A sum of Rs.162 million had been paid for the Urban Development Authority for the necessary renovations and Rs.06 million had been spent on recurrent expenditure. A plan had also been drawn to partition the space for offices to effectively use the usable space of the entire building premises on completion of the renovations. Accordingly, the amount spent for increasing useful life span of this building, which had completed 21 years from its construction, is not a</p>
<p>In order to renovate the Govijana Mandiraya to suit to Parliament, a sum of Rs. 161,934,795 had been spent from the year 2017 to 2019 out of the provisions of Rs. 275,000,000 made by Parliament under the Object No. 16-01-02-2509 for that purpose. In addition, Parliament had spent Rs. 6,747,036 as recurrent expenditure on electricity and water in the years 2018 and 2019.</p>		
<p>Due to re-establishment of the Ministry of Agriculture in the Govijana Mandiraya building in pursuance of the Cabinet Decision dated 18 December 2019, the objective of reformation of Parliamentary Committee System and the need for additional office spaces expected by incurring Rs.168,681,831 under</p>		

Parliamentary Expenditure Head for the renovation of that building and for the recurrent expenditure could not be achieved.

loss to the Government.

3.3 Non-compliance with Procurement Procedure

Construction of Pavements and Carpeting the Internal Roads of Parliament

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>(a) Even though Rs.167 million was allocated from a supplementary estimate and the above task was assigned to the Road Development Authority to complete same as expeditiously as possible, the Road Development Authority had informed that it would take a period of 03 weeks and 12 weeks for its procurement activities physical activities respectively. Nevertheless, work had not been completed within the desired time frame. After a lapse of 02 years, the Chief Engineer (Colombo) of the Road Development Authority had informed that the work was completed on 01 July 2019. However, on 28 June 2019, the Coordinating Engineer of Parliament had reported the General Secretary of Parliament that construction of pavements on both sides of the road from the Gate No.03 up to Pinniyara and installation of electric lamp posts from Gate No.01 to Gate No.02 had not been completed and despite being sent continuous reminders, the progress thereof was unsatisfactory. Repairs had not been completed even by 31 December 2019.</p>	<p>Works should be completed within due period.</p>	<p>According to the service composition of Parliament, the staff of the Engineering Division makes its service contribution towards the day-to-day maintenance activities to ensure maximum accomplishment of the prime objective of Parliament. However, they have no adequate capacity to carry out and handle particular maintenance activities arisen relating to the building premises of Parliament. Due to that matter and the security grounds, the specific maintenance activities relating to Parliament building premises are carried out by Government and Government affiliated institutions and those employees are responsibly deployed in the maintenance activities of Parliamentary premises. Continuous supervision is exercised on such employees. Parliament makes efforts to allocate adequate funds from the General Treasury according to the cost estimate presented by those institutions and to get the work done within</p>

the same year through the relevant Government institutions. The Road Development Authority made the total service contribution for this purpose and I would like to place in record that Parliament fulfilled its responsibility in maximum scale with regard to the follow up process while making reminders and other notices in writing throughout this task by extending maximum credibility in working together with another Government institute.

- (b). Out of total estimation of the project amounting to Rs. 172,321,000, a sum of Rs. 167,000,000 had been settled during the year 2017. Although that amount represented 97 per cent of the total estimate, action had not been taken to deduct the retention money in the payment of that amount or evaluate the works done prior to make the relevant payments or certify the completed works by a responsible person.
- Action should be taken in accordance with the Financial Regulations.
- Above answer is applicable.
- (c) Although the original estimate amounting to Rs. 172,321,000 had been revised on 16 October 2018 and 30 April 2019, a formal approval had not been obtained in terms of State Finance Circular No.02/2012 dated 07 August 2012. Further, the Chairman of the Road Development Authority had informed on 20 June 2017 that the contract amounts may be subject to slight revisions after the award of the contracts, whereas the estimate had increased by Rs.67,018,000. However, Parliament had not confirmed whether the above increase was an actual increase (through the measurements).
- Action should be taken in accordance with the Circulars.
- Above answer is applicable.

- (d) The road users including Hon. Parliamentarians and the members of the staff had made complaints regarding unevenness of the road from Gate No.01 to 02 after carpeting the road with ready-mixed layer. Although 24 defects found during the renovation of internal road system had been reported, those defects had not been rectified. A formal agreement should be reached in awarding the contract. Above answer is applicable.
- (e) Due to unevenness of the road caused after laying the ready-mixed between Gate No.01 and 02, the ready-mixed layer had to be removed and replaced with new layer. Therefore, an additional cost had to be incurred. A formal agreement should be reached in awarding the contract. Above answer is applicable.
- (f) With the intention of completing the work for the construction of pavements and carpeting the internal road of Parliament within 15 weeks, Parliament had entrusted that task to the Road Development Authority deviating from procurement process and that institute had assigned the relevant task to the Maganeguma Company. The Maganeguma Company had entrusted the contract of laying ready-mixed to a private contractual company in Ampara district. However, it was revealed that the said private contractor did not have required capacity and the accelerated renovation of the road initiated in the year 2017 had not been completed even during the year 2019. Procurement Guidelines should be followed. Above answer is applicable.

4 Human Resource Management

4.1 Approved Staff, Actual Staff and Expenditure on Personal Emoluments

Parliament had spent Rs. 1,185.89 million for the Object of personal emoluments for the year under review. The details on the approved cadre, actual cadre, vacancies and excess cadre are as follows.

Category of Employees	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Cadre
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(i). Senior Level	82	69	13	-
(ii). Tertiary Level	173	149	24	-
(iii). Secondary Level	295	231	64	-
(iv). Primary Level	520	492	28	-
(v). Casual/Contract/Temporary	-	20	-	20
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Total	1070	951	139	20
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According to the above information, the number of vacancies and the number of excess staff as at 31 December 2019 stood at 139 and 20 respectively.