

## **Head 001 – His Excellency the President Office**

### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Expenditure Head of His Excellency the President- Head 001 for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statements 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 Expenditure Head of His Excellency the President was issued to the Chief Accounting Officer on 31 May 2023 in terms of Section 11 (1) of the National Audit Act, No. 19 2018. The Annual Detailed Management Audit Report relating to the Office was issued to the Chief Accounting Officer on 06 July 2023 in terms of Section 11 (2) of the Audit Act. This report is presented to the 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, the financial statements give a true and fair view of the financial position of the Expenditure Head of His Excellency the President as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

#### **1.2 Basis for Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit 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 Responsibilities of the Chief Accounting Officer and the 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 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 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, 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 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 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 accordance with 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 relating to the preceding year had been implemented.

## 2. Financial Review

### 2.1 Management of Expenditure

#### 2.1.1 Preparation of Estimates

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Due to insufficient provision of annual estimates in 18 objects, 25 to 760 percent of the original provision was transferred by Financial Regulation 66/99 and the provision totaling had been increased by Rs.448,132,000.	It had been informed that due to Inadequate allocation for official foreign travel expenses of the Honorable President in 2022 year, rapid increase in stationery prices, increase in prices of plant and machinery maintenance, request for transport allowances by staff officers, rapid increase in electricity and water bill prices. Inadequate provision for improvement of office premises, rapid rise in prices of plant and machinery and, rapid rise in prices of auto spare parts, need to rebuild the security fence around the President's office and furniture office equipment prices exceeding expected estimates, insufficient provision allocated for the improvement of the vehicles for the former president's widow and the insufficient provision allocated for the improvement of the vehicles and facilities required by the former presidents, the provisions were	The annual estimates should be done accurately as possible in accordance with the Financial Regulations.

transferred from an object with excess provisions under F.R. 66 and the necessary expenses were incurred.

- (b) In addition to the budget estimate of Rs.20,000,000 for the total of two objects, although the provision has been increased by a total of Rs.16,925,000 through the transfers made under the FR 66/69, It was observed that although the expenditure was Rs.19,089,696, even the original provision had not been spent.
- These two objects are some matters and needs that fall within the purview of His Excellency the President, because they are matters that are very urgent and cannot be postponed, so they have to be fulfilled at the same time. In such cases, it had been informed that the relevant service would have to be performed on the basis of getting and settling the provisions later or on the basis of incurring expenses from the next year provisions.
- Annual estimates should be done accurately as possible.

### 2.1.2 Utilization of provisions

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The net provision of Rs.1,000,000 and Rs.300,000 respectively in two objects had been saved the total provision without any expenditure during the Year under review.	The above provisions have been set aside to provide facilities for the widow of a former president, but it had been informed due to the lack of requests from the relevant parties, the provisions have been left and due to the limitations imposed by the National Budget Circular 03/2022, the expected expenditures were not arise, hence these provisions have been saved.	Annual estimates should be taken as accurately as possible.
(b) Between 33 percent and 93 percent of the estimated provision of 12 objects, the total value of Rs.388,396,000, was transferred to other objects by Financial Regulation 66/69.	It had been informed that the remaining provisions were transferred to under objects due to reasons such as Non-incurrence of expenditure as expected, re-handover of buildings used on rent lease, non-requesting of provisions for a former president as expected, non-requesting of provisions for	Annual estimates should be done as accurately as possible.

widows of former presidents, non-requesting of provisions for presidential commissions as expected, non-incurrence of expenditure as expected from the provision for the National Salary and Cadre Commission and stoppage of building construction in accordance with the National Budget Circular 03/2022.

## 2.2 Non-compliance with Laws, Rules, and Regulations

The following non compliances are observed.

Audit Observation		Comments of the Accounting Officer	Recommendation
Reference to rules, laws and regulations	Non compliance		
(a) Public Administration Circular No. 2/2018 dated 24 <sup>th</sup> January 2018.	Preparing a human resource development plan, sign performance agreements for all employed staff, provide a training opportunity of at least 12 hours for each member, conduct capacity development programs and to act to as for this should be appointed Senior Officer regarding that above work to had not been done as per the circular.	Due to the Covid-19 pandemic situation since 2020, closing the country and maintaining the role of government institutions on a minimum number of employees, calling employees to work in cyclical ways due to the restrictive conditions in the country in the year 2021 and 2022 and the struggle measures centered on the Presidential Secretariat. It was informed that the work is being carried out with a minimum number of employees and it has not been possible to spend all the provisions under the training expenditure heading for training and as per 6.1 and 6.3 of the said circulars it has not been possible to have a training	To act as per the circular.

opportunity of not less than 12 hours for each member of the staff of the institution. It had been informed that the action plan for the year 2023 has been prepared and submitted.

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| (b) As Per F.R. 110   | An up-to-date Register of damages was not maintained.   | It had been informed that the work of updating the loss and damage register is being done and after updating it, it will be presented for audit in the future.                                  | To maintain a register of damages as per Financial Regulations.         |
| (c) 315(1) of the Financial Regulation as per public Finance circular No. 01/2020 dated 28 <sup>th</sup> August 2020 and Financial Regulation 880,891(1). | There was no action taken to obtain securities from the officials who were supposed to post securities, although a list of securities containing the names of all the officers required to be securities should be prepared and maintained in the head office of each department in alphabetical order preferably a bail register was not maintained in the President's Office. | It had been informed that the maintenance of a security register containing the names of all the officers required to security has been started and that it will be kept updated in the future. | Securities must be secured and documented as per Financial Regulations. |

### 2.3 Issuance and Settlement of the Ad -hoc sub-Imprest

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Due to non-identifying and estimating the expected expenditure more accurately, in 42 cases, a total of Rs.4,537,000 ad hoc sub imprests was received and after the completion of the work, a sum of Rs.1,878,493 was settled by cash, and it had been observed that it was 41.4 percent of the advance amount received.	It had been informed that this cash advance has been obtained under a formal approval, this advance amount has been obtained according to the estimated cost and the remaining amount has been settled on being able to complete the related subjects at a lower cost than the estimated cost.	Expenditures should be estimated accurately, and sub imprests should be issued.
(b) According to Financial Regulation 371 (4) sub imprest should not be taken for specific and unnecessary tasks, but in 19 cases, a total imprest of Rs.1,464,120 was taken and the amount was held for a period of 1 to 43 days without being used for any purpose and the entire advance amount was returned. was settled in cash. The audit also observed that an advance amount of Rs. 50,000 taken from cash was settled by a cheque.	It had been informed that this cash advance has been obtained under the formal approval, this advance amount has been obtained according to the estimated cost and due to the cancellation of the advance task or the related subject not being required to be completed, and arrangements have been made to settle the advance amount again.	Recognizing the need and issuing sub imprests.

### 2.4. Government Officers Advance B Account

The following observation are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) It had been observed that a total of Rs. 107,140 in the form of Rs. 99,140 distress loans and Rs. 8,000 festival advances of a deceased officer, which have been	The distress loan balance of a deceased driver as at 31.12.2022 is Rs. 91,140 and the outstanding loan balance is already being collected from	Should be taken actions to recover outstanding loan balances promptly.

outstanding for 4-5 years, had not been recovered up to the end of the year under review.

the guarantor and the current loan balance is Rs. 84,260 and his outstanding festival advance balance as on 31.12.2022 is Rs.8,000. It had been also informed that the deceased debtor's spouse agreed to pay the balance of the festival advance.

- (b) Property loan balances of Rs.144,768 and distress loan balances of Rs.114,655 respectively from more than 05 years belonging to two retired officers had not been recovered up to the year under review.

It had been informed that the work is being done to prepare the pension gratuity that the debtor is entitled to according to the retirement due to the abolition of the position under Section 2 - 7 of the Pension Constitution Code and that after the provision related to the retirement gratuity is given by the Pension Department, the debt balance will be settled through journal entries. Due to the notice from the Pensions Department that the approval of the Secretary of the Ministry of Public Administration, Home Affairs and Provincial Councils and Local Government is required for a retirement on the basis of inefficiency in accordance with Sections 02 and 15 of the Pension Constitution code, which has been submitted to the Ministry of Public Services, Provincial Councils and Local Government for the same. It had been informed that once the pension department provides the allowance for the gratuity due to the employee after the retirement, the outstanding loan balance will be settled through journal entries.

Should be taken actions to recover outstanding loan balances promptly.



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| (C) | The distress loan balances of Rs.257,927 for a period of three to five years relating to three suspended officers had not been recovered at the end of the year under review.               | The sum of the distress loan balances to be collected from the two suspended drivers at 31.12.2021 is Rs.150,786. These two outstanding disaster loan balances are already being collected from the guarantors and the existing outstanding balance has been decreased to up Rs.137,614 and the disaster loan balance due on 31.12.2021 of a suspended driver is Rs. 107,141 has already been recovered from the debtor's wife who is a government employee, and the outstanding disaster loan balance has been decreased to Rs.96,925.47 | Prompt action to recover outstanding loan balances.                    |
| (d) | The outstanding balance of Rs.1,054,444 from 10 officers who have left service for 3 months, 1 to 5 years and more than 5 years had not been recovered at the end of the year under review. | It had been reported that they are working to recover the balance of the debt by taking measures to recover from the monthly salary of the guarantors, holding discussions to recover the debt, requesting the Attorney General to take legal action, legal action has been initiated to recover the debt.  | Should be taken actions to recover outstanding loan balances promptly. |

### 3. Operating Review

#### 3.1. Performance

##### 3.1.1. Action plan

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Public Finance Circular No. 02/2020 dated 28 August 2020, All the heads of the Departments for their institutions implemented by all the Heads of	During the year 2021 and 2022, due to the restrictive conditions in the country, the public servants were called to work in cyclical ways and the essential	To act as per the public Finance Circular.

Departments, should be prepared annual action plan including updated organizational structure of the institution, information about the approved staff and the currently employed staff, prioritized activity plan based on approved budget, implementation time frame and expected output/results of those activities, Imprest plan for annual activities & internal audit plan etc was not prepared as per circular provisions.

service activities were maintained with a minimum number of employees. In the background of the administrative changes, the departments had to be formally established again. Accordingly, it had been informed that it was not possible to prepare the action plan for the year 2022 as it took several months to prepare the plans related to the newly established sectors

### 3.1.2 Procurement Plan

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>No. 02/2020 and in accordance with the guidelines No. 13 issued under paragraph 04 of the public Finance Circular dated August 28, 2020, although the provisions mentioned in the Government's Procurement Guidelines should be followed for procurement activities. It was observed that although Rs.149,143,452 had been spent out of the allocation of Rs.176,920,000 allocated by the annual budget for the acquisition of capital assets for the year under review, the procurement plan had not been prepared.</p>	<p>During the year 2021 and 2022, due to the restrictive conditions in the country, the public servants were called to work in cyclical ways and the essential service activities were maintained with a minimum number of employees ,therefore due to those circumstances it was not possible to prepare and complete the procurement plan in the first half year of 2022, and the second half year of 2022 and base on the background of the administrative changes of the president office, the departments had to be formally established again, It had been informed that the procurement plan for the year 2022 could not be prepared as it took several months for those activities and urgent and necessary purchases were made on occasion.</p>	<p>To act as per the Public Finance Circular.</p>

### 3.1.3 Performance of roles

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
As the action plan was not prepared, it was not possible to check the performance of the Institution.	During the year 2021 and 2022, due to the restrictive conditions in the country, the public servants were called to work in cyclical ways and the essential service activities were maintained with a minimum number of employees therefore due to those circumstances it was not possible to prepare and complete the action plan in the first half of 2022, and in the second half of 2022 the background of the administrative changes, the Departments had to be formally established again. Accordingly, it was known that it was not possible to prepare the action plan for the year 2022 as it took several months to prepare the plans related to the newly established sectors.	Action plan should be prepared.

### 3.2 Asset Management

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) In the statement of ACA-6 non-financial assets submitted with the financial statements, non-financial assets of Rs.47,529,618 were added to the opening balance as at 01 <sup>st</sup> January 2022, but the details and schedules were not submitted to the audit to confirm the value.	ACA-6 Non-Financial Assets The fixed assets mentioned as the balance of Rs.47,529,618 as at 01 <sup>st</sup> January 2022 were created using raw materials from the President's House, but were not included in the base year as non-financial assets in the CIGAS data system. Therefore, those assets were directly entered in the CIGAS	Records should be maintained so that information about changes in non-financial assets can be clearly identified.

data system as opening balances, and were not assets entered through treasury journal entries.

- (b) The documents to settle the registration ownership of 116 vehicles released to other Government Institutions and temples were handed over a year ago, but the registered ownership were not transferred up to the month of April 2023.
- The transfer of vehicles bearing numbers: BDN-4409, BDN-4412, DAD-1180, KB-9985 and PH-2913 has now been completed and the relevant documents for the transfer of vehicle bearing number RW-6953 has been submitted to the Department of Motor Traffic and It had been informed that the relevant agencies will be constantly informed to carry out the necessary activities to formally take over the registered ownership of other vehicles.
- Transferring of registered ownership should be formally assigned or repossessed.
- (c) In the case of 51 vehicles belonging to the Presidential Secretariat whose physical existence cannot be detected, the existence of 51 vehicles had failed to be verified up to the end of the year under review. No value could be found on these vehicles.
- The necessary activities are being carried out to discover the physical existence of these vehicles and to confirm the physical existence of 28 vehicles out of the 51 vehicles. It had been informed that the Motor Traffic Department, Provincial Motor Traffic Departments, Insurance Institutions, Comptroller General's Department and the Sri Lanka Police are working in coordination.
- To discover the physical presence of vehicles should be done promptly.
- (d) At the end of the year under review, 24 vehicles that were being disposed of had not been disposed.
- It had been informed that out of the 24 vehicles that are being disposed, the dispose of 05 vehicles has been completed and the dispose of 16 vehicles is ongoing and the other 3 vehicles will be disposed in the future.
- Vehicles which have to be dispose should be done promptly.

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| (e) | 28 vehicles belonging to the President's Office were not insured at the end of the year under review. It had been mentioned that out of the above vehicles, 13 vehicles were not insured as they were high security vehicles. The value of these 13 vehicles had not been assessed at the end of the year under review.  | In case of high protection and corresponding car insurance, one has to pay a very high insurance premium based on the appraised value of the vehicle. The assessed value of one high-security vehicle alone is Rs.250-300 million and it had been informed that the annual insurance premium to be paid to ensure that one car is more than Rs.17 million.  | To act according to the existing laws and regulations of the country or to introduce alternative policy decisions to meet those needs if it deviates from them. |
| (f) | According to the information submitted to the audit, although the President's Office had informed that 52 vehicles belonging to other government agencies had been acquired on a temporary basis, it had been observed during the audit that 66 vehicles were being used. Due to the lack of details, the date on which certain vehicles were taken to the President's Office could not be found. The President's Office had paid Rs.28,802,245 as maintenance cost for these vehicles during the year under review. | At present, the legal ownership of vehicles owned by other institutions are taken over for the use of the President's Secretariat and It had been informed that those temporary attachments will be carried out in a formal manner and that taking over legal ownership of vehicles is done only with the agreement of other agencies. At present, the activities of transferring the legal ownership of the vehicles which have been obtained in this way will be formally carried out. Although the vehicles obtained from other institutions for the duties of the President's Office are not legally transferred, the maintenance work will be carried out by the President's Office. | Should have to arrange proper system for transferring legal ownership of used vehicles and taking possession of those vehicles.                                 |
| (g) | Even if the vehicles owned by the office have been given to other institutions and individuals to fulfill the objectives and goals of other government institutions, the transfer of the vehicles should be done with a formal approval and in a formal  | These vehicles are attached on a temporary basis as per the requirement of duty and are not legally handed over. However, the two vehicles numbered KD-6312 and KV-0281 have been legally handed over, and in cases where the legal ownership are not handed over   | Vehicles transfer or release to use should be carried out in a formal approval and procedure.   |

method so as not to hinder the fulfillment of the objectives of the institution and ensure the safety of the property had not been followed. Out of the delivered vehicles, 12 vehicles were not available up to the date of vehicle release. 53 vehicles owned by the President's Office were released to other government institutions, temples, religious leaders and members of parliament. Out of those vehicles, maintenance costs of Rs.13,695,119 were incurred for 27 vehicles during the year under review, but the said costs were not reimbursed or arranged.

to other organizations and the vehicles have been handed over only on the basis of official requirements, therefore It had been informed the maintenance cost has been done by the Presidential Secretariat.

### 3.3 Losses and Damages

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the information submitted to the audit, it had been observed that the total value of the estimated damages to the goods and equipment and vehicles of the Presidential Secretariat and the Fort President House during the turbulent atmosphere in the year 2022 was Rs. 36,675,854 and it was not disclosed in the statement of losses and omissions presented with the financial statements	In the year 2022, the Assessment Department has been directed to obtain an assessment report on the damages caused to the Presidential Secretariat, the Fort Presidential House, goods and equipment and vehicles by the activists, and to conduct the F.R. 104 inspection of the losses/damages, 05 member committee has been appointed and arrangements have been made to seek the support of the Ministry of Public Security to investigate the losses/damages.	Damages, losses and waivers should be disclosed in the financial statement.
	Although the details of the expenses incurred for the repairs of the damage done to the vehicles and the expenses incurred for the repairs of	

the damages have been submitted, correct and detailed assessment reports have not been received from the assessment department even by the date of preparation of the final accounts, F.R 104 inspections have not been completed. It had been informed that the details of the losses in the final accounts of the year 2022 have not been disclosed under losses and omissions due to the fact that the investigations have not been completed.

In the final financial statements related to the year 2023, it was informed that disclosure will be made under losses and waivers.

- (b) 22 vehicles were damaged in the chaotic situation, but 6 of those vehicles had not been repaired by 31 March 2023. According to the repair estimates, it had been informed that the relevant repairs could not be carried out with the amount approved by the insurance company and therefore the repair work was delayed. To carry out repairs and arrange for reimbursement of insurance indemnity.
- (c) According to the publication of deductions and recoveries from the book under F.R.109 submitted with the financial statements for the year ending 31 December 2022, 51 vehicle accident cases of less than Rs.25, 000 and 279 cases of vehicle accidents more than Rs.25, 000 related to the period from 2014 to 2022 have not completed and continued in the financial statements. Among the 279 vehicles involved, the total estimated loss value of 235 vehicles was Rs.54,442,331 and the loss of 44 vehicles had not been calculated so far. It had been informed that calculation of losses, investigations and inquiries are currently being carried out according to F.R.104 related to accidents. Actions should be taken to recover the damages and remove them from the books according to the Financial Regulations.