

## **Head 002 - Office of the Prime Ministers**

### **1. Financial Statements**

#### **1.1 Opinion**

Head 002 - The audit of the financial statements of the Prime Minister's Office 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 statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Prime Minister's Office was issued to the Chief Accounting Officer on 30 May 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Office was issued to the Chief Accounting Officer on 07 July 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Prime Minister's Office as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of the Chief Accounting Officer for the Financial Statements**

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Prime Minister's Office is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Office and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5 Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1)(d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

## 2. Financial Review

### 2.1 Expenditure Management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) During the sample testing of the year 2022 observed that, the recurring expenses of Rs. 70,948,731 incurred on 17 occasions were not included in the correct expenditure object and that were recorded under the 002-1-1-0-1409 (other) expenditure object.	<p>In order to properly coordinate the activities of the Prime Minister's office, the telephone and postal charges were only recorded under object 1402 and apart from that, for various meetings and discussions at Temple tress premises under the Hon'ble Prime Minister they were rented communication equipment and this expenses recorded under object 1409.</p> <p>The approved staff officers' uniforms and meals expenses within the approved limits they had been accounted under the object 1203.when the various dignitaries and diplomats met the Honorable Prime Minister, the expenses incurred for food and entertainment activities and expenses of organization of events has been accounted under the object 1409 . That in the preparation of annual budget estimates for similar expenses as well as in requesting additional</p>	Expenditure should be identified and accounted under correct object code.

allocations, allocations have been obtained from the General Treasury under the 1409 expenditure object and expenses have been incurred.

Which are not come under building and construction the works, The money spent on service contracts related to CCTV system services, services for photocopiers, elevator services, generator services, have been accounted for under the expenditure object 1409 and that has been getting provisioned & spend from the annual budget estimate.

Bath Tub Repair/Electric Cable Hoist Machine Repair Expenses Identification have been accounted in object 1409 due to an error. It was also informed that instruction were given to the officers to correctly identify and account for such expenses in future.

- (b) Electricity and water bills Rs.8,278,004 were accounted under 2 other expenditure object without being included in the expenditure object 002-1-1-0-1403 (water and electricity bills)
- In the year 2022, instructions had been given to allocate expenses on a quarterly basis, and since special duties are assigned according to the scope of the Prime Minister's Office, due to the increase in the prices of goods and services, the allocation limit for the quarter was not sufficient for the continuation of office activities, electricity and water bills due to non-payment within the specified time frame, to prevent disconnection and collapse of the organization's
- Transactions in the vote ledger should be recorded and kept up-to-date.

activities, although the relevant expenditure should be accounted for in the next quarter's correct expenditure object code by carrying the relevant expenditure from a recurrent expenditure object, and that the indicated expenditure has been omitted to be accounted for by the Cigas system by neglected and that it has been noted down to prevent such a situation from occurring in the future and instructions have been given to the officers.

## 2.2 Incurring Liabilities and Commitments

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>As mentioned in paragraph 3.3 of the State Accounts Guide No. 2022/05 dated December 13, 2022, the obligations and liabilities of the reporting institution should be disclosed according to the obligation numbers as of December 31, 2022, but the total obligations and liabilities of the department 1,390,406 was not disclosed under the obligations and liabilities Annexure No. iii of the financial statements.</p>	<p>As per paragraph F.R 115 (125) the payment received in January relating to previous financial year December expenses has settled by allocation in conversions year and that expenses have not been included in the liability register. However as indicated instructions were given to the officials to enter the liabilities in register.</p>	<p>Obligation and liabilities should be disclosed as directed in the State Accounts Guidelines.</p>

## 2.3 Non-compliances with Laws, Rules and Regulations

The below are the instances were not complied with laws, rules and regulations.

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation	
	Reference to Laws, Rules and Regulations	Non-compliances		
(a)	Financial Regulations 880 and 891(i)	According to the Government Officers' Ordinance, to ensure that all officers who are required to keep to guarantee should be made arrangement for it. A guarantee register containing the names of all officers required to be prepared and maintained in the best alphabetical order at the head office of each department, but here that register was not updated and maintained.	Currently, a guarantee register is being maintained in the Prime Minister's Office and it was informed that in the future, all the officers who need to be guarantee will be arranged to be guarantee as per Financial Regulation 891(i).	To comply with the provisions of the Financial Regulations.
(b)	Paragraph 8.3 of State Accounts Guide No. 2022/05 dated 13 December 2022 and Paragraph No. 10.1 of State Accounts Circular No. 2020/02	All reporting institutions are required to prepare a reconciliation statement for deposits and a copy of the reconciliation statement should be submitted to the Auditor General on or before February 28, 2023, but it had not been done with accordingly.	According to the State Accounts Guidelines 2020/02, the reconciliation statement regarding deposits was forwarded to the State Accounts Department on 17.02.2023, but a copy of that, has been missed to be forwarded to the National Audit Office.	To act according to the State Accounts Guide and circular instructions.

## 2.4 Government Officers Advance B Account

The following Observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) As on December 31, 2022, Government Officials' Advance "B" Account Annual Reconciliation Statement had the closing single balance of Rs.50,086,632 and the member loan register closing balance was Rs.49,509,284, a non-matching balance of Rs.577,348 was observed.	A computerized register is maintained in relation to loans and recoveries and according to that register the balances are correct as per document 3.1 of the reconciliation statement as on 31.12.2022 and the difference of Rs. 577,347.84 shown in the members' loan registers was identified and corrected. It was informed that the officers were instructed to properly update the membership loan register in future.	Supporting Documents should be properly updated and maintained.
(b) A distress loan amounting to Rs.191, 602 of an officer who left service in September 2022 should have been recovered by the date of audit.	A resignation letter was issued to an employee who had left the service on 21.09.2022 and he was informed that all outstanding debts should be paid. Again on 15.02.2023 he was informed to pay the related debts and necessary actions were taken.	Should take necessary actions to collect the outstanding debt quickly.
(c) It was observed that a loan amount of Rs.1, 034,577 should have been due from five retired officers on December 31, 2022.	The five officers who retired on December 31, 2022 were informed that no provision has been released from the Pension Department and the debt will be recovered, as soon as the provisions are released.	Should take necessary actions to recover outstanding loan amount from retired officers.

### 3. Operating Review

#### 3.1 Performance

Regarding the year 2022, 95 meetings and discussions were held in various fields under the advice and guidelines of the Prime Minister and 355 decisions/follow-ups were made. Furthermore, the performance report had presented information that are carried out 19 feasibility studies. The following observations related to the performance reports are made.

Audit Observation	Comment of the Chief Accounting Officer			Recommendation
	Meeting	Date	Explanation	
(a) It was observed that actions had not been taken till December 31, 2022 regarding the matters of current economic situation and problems in the country that have discussed in 03 meetings held in the year 2022 with the representatives of the Joint Chambers of Commerce, Small and Medium Enterprise Sectors and Garment Industry .	1. Discussion with integrated Chambers of Commerce	2022.06.02	After the appointment of the former Prime Minister on 12.05.2022, these meetings were held with the aim of taking quick decisions to deal with the crisis situations that existed at that time, and as a result, the daily life of the country was able to be maintained to some extent but no decision was reached in those meetings. While, the 2022 performance	Should be follow-up on decisions reached in meetings and discussions.
	2. Discussion with the SME sector	2022.06.23		
	3. Discussion on Garment Industry	2022.07.05		



report of the Prime Minister's Office clearly stated that no follow-up was necessary as decisions were not taken accordingly.

- (b) Although the notes related to eleven meetings, discussions and the events held from January 1, 2022 to June 30, 2022 were forwarded to the Development Division 1 of the Prime Minister's Office. it was observed that the related actions and follow-up had not been carried out by the relevant division.
- In 9 cases, the Prime Minister's Office has provided only the necessary facilities to hold the meeting and further work has been done by the Ministry of Urban Development, the Religious Affairs Division of the Prime Minister's Office, the Public Utility Commission, the Ministry of Education, and the Ministry of Fisheries.
- Should be followed-up on decisions reached in meetings and discussions.

### 3.2 Assets Management

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The Prime Minister's Office had used 17 vehicles belonging to other government agencies without assigning to them. Among them, a vehicle belonging to the Road Development Authority used by the Prime Minister's Office met with an accident on January 14, 2022. The compensation for this accident is Rs. 46,600 were received from the Sri Lanka Insurance Company still did not confirm to audit.	The Prime Minister's Office has 17 vehicles acquired on a temporary basis from other ministries and institutions. Among them, there are 05 vehicles obtained from the Road Development Authority; The vehicles taken from the Road Development Authority are insured by them and in case of an accident, the said agency is informed about it. Insurance indemnification is done by the Road	Should be made a formal arrangement to vehicles take over from external agencies and to report their accidents and recover compensation.

Development Authority. It was informed that the vehicle involved in the accident belonged to the Road Development Authority.

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| (b) | Seven vehicles owned by the Prime Minister's Office were temporarily given to other ministries, departments and offices, but there was no specific date on which these vehicles should be handed back to the Prime Minister's Office as at audit date of April 30, 2023. these vehicles were still being used in the assigned office. | One car has now been returned to the Prime Minister's Office and the other vehicles will be used by the same offices as per the needs of the President's Office and the Prime Minister's Office and that are exchanged from time to time and all are properly documented. It was informed that the officials were instructed to send a specific date for the return. | A system should be implemented to ensure the security of government property.                |
| (c) | It was also observed that 3 Benz cars included in the Prime Minister's security convoy were not registered till April 2023 and one of them was not insured.   | It was informed that some official vehicles allocated to the Prime Minister for security reasons were not registered and the recently purchased vehicles were registered and A 233259 was not currently in running condition and it was informed that it will be insured after it is made in running condition.  | A program should be implemented to ensure the ownership and security of government property. |
| (d) | According to the information submitted to the audit regarding the release of vehicles to other institutions, it was informed that 03 vehicles were given to the Prime Minister's Office by the President's Office, but according to the reports of the Prime Minister's Office, 04 vehicles were received from                        | CAV 8103 bulletproof vehicle has been requested to be temporarily allocated from the President's Office and so far the vehicle bearing number CAC – 4469 has not been handed over to the Prime Minister's Office. Further it informed that A233364 is being used by the Prime  | A program should be implemented to ensure the ownership and security of government property. |

the President's Office and it was observed that the respective vehicle numbers are not comparable with each other. Minister's office but has not been notified in writing so far.

### 3.3 Losses and Damage

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Due to the distressing situation in the country on July 09, 2022, the damage to a bulletproof vehicle was not calculated until March 29, 2023, which was the audit date. The Sri Lanka Insurance Company had approved to cover only Rs.200 million out of Rs.263 million insurance coverage but due to the non-availability of spare parts required for repair in the country, the car has been in the same condition for almost 09 months.	Bulletproof car insurance coverage Rs. 263 million and the purpose of safety this car it had not handover to insurance company. Due to that reason as insurance benefits Rs. 200 million which was giving by insurance company. due to this vehicle had been given to Criminal Investigation Department the no police complaint the preliminary report has been delayed. According to the Criminal Investigation Department this damage was Rs.197 million and It had also been mentioned that this car is kept safely in the Prime Minister's office to get spare parts for the other similar bulletproof car based on the recommendations of the mechanical engineers.	Should take immediately actions to recover / settle damages.
(b) There was a loss of Rs.874, 586 on 10 May 2022 to a car and no written evidence was included in the file that the loss was fully covered by the insurance company. The insurance company had informed that they could not accept the bills related to the	As the estimate presented by the local representative of the car is too expensive, an estimate has been obtained from a garage registered in the Prime Minister's Office and the related repair has been done and the amount received from the insurance company	Determining losses and damages and should be taken formal steps to settle them.

- purchase of spare parts required for the repair of this car. Accordingly, the total loss to this vehicle and the amount of damage covered by the insurance company could not be revealed during the audit.
- is not enough, so the garage has requested the insurance company to increase the amount and the relevant documents have been filed. It was said that the car has been repaired and is running and there is no agreement between the insurance company and the garage regarding the amount to be paid.
- (c) Although the accidents related to 2 vehicles on May 24, 2022 and May 31, 2022 were mentioned in the damage and loss register, the audit could not confirm that a formal investigation was conducted on these accidents according to the file number PMO/ADM/02/03/2101 of the office.
- It was informed that F.R 104 investigations have been started for both cars KS – 2101 and CAR – 2957.
- Necessary action should be taken as per financial regulations regarding losses and damages
- (d) On December 01, 2022 Rs. 129,100 were reported in relation to a car involved in an accident. Although the damages & losses document states that the amount has been covered by the insurance company but no evidence has been submitted to the audit to confirm the same.
- The car has been repaired in a garage registered under the insurance company and is currently running. it was informed F.R 104 (3) preliminary report has been given and payment details have not yet been given to the office.
- Should be act according to the financial regulations and filed the all information.
- (e) As per F.R 104(1), a complete report should be submitted within three months from the date of loss but it was observed that there were total value of the loss Rs. 203,181,631 in respect 08 vehicle accidents occurred in 2022 report still had not been submitted as at the audit date of 17th April 2023.
- Due to the change in the administrative structure caused by the political change in the year 2022, It was informed that the officers appointed for investigations of F.R 104 have been transferred and arrangements have been made to newly appoint newly officers for those committees again.
- The actions should be expedited according to the Financial regulations on losses and damages.

### 3.4 Losses incurred due to the distressing conditions in the country in the year 2022

In the year 2022, the Prime Minister's office was damaged due to the distressing circumstances that occurred on a number of occasions and the following points are observed in relation to the information submitted for the audit.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The Prime Minister's Office had reported to the audit through the letter No. PMO/FIN/01/13/01/01/2023 dated April 21, 2023 that the total damage caused to the Prime Minister's Office due to the struggle were Rs.111,043,124. The information Regarding actions had taken under the F.R 103 - F.R 104 of these damages had not been submitted to the audit by the audit date of April 28, 2023 and these identified losses had not been disclosed in the financial statements.	On 09.05.2022 complaints were made at the Kollupitiya Police Station regarding the damage caused to the property of the Public Relations Department and Temple House and the full report was obtained regarding the lost items. That the police report has been requested from the Kollupitiya Police Station for write-off in the loss and damage books as per F.R 104(3), 104(4) and F. R 109. As per section 2.1 of Public Finance Circular No. 01/2020 dated 28.08.2020, if there is no fraud or error in the existing system, with damages not exceeding Rs. 5 million it was informed that since the power to deal has been delegated to the Chief Counting Officer, and further work will be done after receiving the police reports.	The actions should be expedited according to the Financial regulations on losses and damages.

- (b) According to the 2022 commodity survey reports, there were differences in 13 types of goods between the treasury format 66 and the list of goods identified as having losses due to the struggle and according to the broad of survey report 2022, It was observed that 27 types of goods were not identify in the report provided by the Prime Minister's Office which are damaged due to the struggle.
- Due to the struggling situation on 09.07.2022 the damaged goods were identified on 03.08.2022 and they are included in the police complaint. At that time, only the damaged equipment was identified and further to identify the damaged goods until from the taste test reports and finger prints were obtained by the Criminal Investigation Department it was problematic to the closure of some offices has led to the identification of damaged equipment .In the letter dated 01.04.2023 regarding the struggle, the Chief Accountant has referred to in the final report prepared as per F.R 104, it was stated that the estimated report along with the cost of repair of the buildings concerned with the lost equipment.
- Details of damages and losses should be accurately documented.
- (c) Although the report presented by the Prime Minister's Office stated that 20 types of goods have been misplaced due to the struggle situation, it was not identified in the broad of survey conducted for the year 2022.
- It was informed that noted for correction.
- Inventory books and broad of survey reports Should be completed correctly.

#### 4. Management Weaknesses

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) According to National Budget Circular No. 03/2022 dated April 26, 2022, public expenditure should be used only for very essential services, and the cessation of construction and take rent of buildings should be strictly followed, under this situation further observed that Rs. 182 million had been spent in the year 2022 for the maintenance and repair of the Prime Minister's Official Residence and Rs.58 million had been spent in the year 2021.	The renovation of the Official Residence of the former Prime Minister, the Fifth Executive President, was started in the year 2021 under the labour contribution of the Sri Lanka Navy, based on the approval of the Cabinet Memorandum dated 05.01.2021. Accordingly, under the object 002-01-01-0-2001, an allocation of Rs. 180 million had been allocated from the annual budget. But that allocation was not sufficient for the completion of the work. Due to that reason Rs. 300 million additional funds allocated by the national budget department were made in accordance with the circular 03/2022 to complete. However, in revising the annual allocation, the allocation under the object of above expenditure is Rs. 190 million due to re-limitation of Rs. 04 million budget allocation had to be transferred to this object.	Instructions in the National Budget Circular should be followed.

- (b) According to the Budget Circular No. 03/2022 dated April 26, 2022 and its chapter xiv, Spending Rs.569,344 to printing first volume of book on Prime Minister's parliamentary statements in spite of government expenditure restrictions and its had printed 197 copies, that books were not distributed until the Audit observed date of April 21, 2023.
- It was informed that 197 copies of the book containing the parliamentary speeches of the Honorable Prime Minister have been kept under the Director of Media and Communication and plan to print all the volumes of the book and distribute by the month of August 2023.
- Instructions in the National Budget Circular should be followed.

## 5. Human Resource Management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The approved number of posts in the department was 561 out of which 286 posts were vacant. 30 of those vacancies were senior level posts.	In accordance with the measures taken to carry out the Prime Minister's Office activities based on an approved number of staff in accordance with the circular on expenditure management, the Honorable Prime Minister has reduced his approved staff from 168 to 18 by September 2022 and comparison to this, by reducing the operational staff in the Prime Minister's Office had been continue office at minimum cost.	Should be revise the approved cadre to fulfill vacancy or to maintain the public service efficiently and effectively.