

## **Head 005 - Office of the Cabinet of Ministers**

### **1. Financial Statements**

#### **1.1 Opinion**

Head 005 - The audit of the financial statements of the Office of the Cabinet of Ministers for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement including information related to the material accounting policies 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 Office of the Cabinet of Ministers was issued to the Chief Accounting Officer on 10 May 2024 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 of the Cabinet of Ministers was issued to the Chief Accounting Officer on 31 July 2024 in terms of Section 11(2) of the Audit Act. 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 accompanying financial statements give a true and fair view of the financial position of the Office of the Cabinet of Ministers as at 31 December 2023 and its financial performance and its 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 Responsibility Section. 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 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 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 Office of the Cabinet of Ministers 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 of the Cabinet of Ministers 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 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 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 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**

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**

**2.1.1 Utilization of Provisions**

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Due to failure to prepare the estimates as possible as completely, accurately economically and efficiently with proper consideration, Rs. 66,709,685 or 78 percent was saved out of the estimated capital allocation of Rs. 85,000,000 in the year under review.	The repair work of the building was done on the labour contribution of the Navy Engineer Services Corps and the building materials were purchased from the open market at the lowest prices. As it was decided to procure the procurement activities related to providing a solar battery system, the capital provision was saved.	Estimates should be prepared with completely, accurately, economically and efficiently with proper consideration as per the Financial Regulations.
(b) Although the estimated provision for other expenditure and staff training expenditure has been increased by 200 percent each in the year under	Agree with the audit and the provision was saved due to the use of this provision only for essential supply	Action should be taken to prepare the accurate estimates.

review as compared to the previous year, correct predictions were not made in the preparation of estimates since the balance of the provisions of those expenditure subjects was Rs.489,582 or 82 percent and Rs.1,096,695 or 73 percent respectively.

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| (c) | Electricity and water consumption were estimated to be 675 percent higher and 25 percent lower in the years 2022 and 2023 respectively compared to the previous year. However, a provision of Rs. 2,500,000 had been transferred for that subject by F.R. 66 in the year under review, but an amount of Rs. 229,561 was not settled at the end of the year.  | Agree with the audit and although with considering and estimating the expected expenditure of electricity and water for the elevator work, centralized air condition system of the new building, there was an increase in those expenditures during the year. | Action should be taken to prepare the estimates in accurately. |
| (d) | Provisions for food and uniforms are estimated to be 8 percent less and 50 percent more in the year 2022 and 2023 respectively compared to the previous year and 85 percent of that estimated amount or Rs. 2,561,614 was saved at the end of the year under review. According to the budget circulars 01/2023, 03/2022 and 08/2022, which were given as the reasons for the savings, the audit could not accept the lack of allocations and the limitation of expenses. | Estimates were prepared under the hyperinflationary conditions prevailing in the country and due to maximum restraint of expenditure, provisions were saved.  | Action should be taken to prepare the estimates in accurately. |

## 2.2 Incurring into the Liabilities and Obligations

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Although any obligation or liability not reported to the treasury shall not be settled in the year 2024 as expenditure of the previous year, the electricity expenditure of Rs. 229,561 related to the year under review, which was not included in the statement of obligations and liabilities issued by the treasury, was paid in the year 2024. Furthermore, there was not enough provision in that budget in the year 2023 to settle that liability.</p>	<p>Agree with the audit and due to the increase in value of water and electricity bills in November and December, there was not enough provision to settle the bill.</p>	<p>All liabilities for the year should be mentioned in the financial statements.</p>

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

Instances of non-compliance with the provisions in laws, rules and regulations observed during the sample audit tests are analyzed below.

Reference to Laws, Rules and Regulations	Observation	Non- compliance	Comments of the Chief Accounting Officer	Recommendation
Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Amount Rs.			
(i) Financial Regulations 156(5)	127,113	<p>When it is necessary to correct any mistake in the vouchers, the mistake should be crossed out with a single line and short signatures should be applied, but</p>	<p>The amount mentioned in the letter had not been crossed.</p>	<p>Action should be taken as per the Financial Regulations.</p>

although the numerical value of the special incentive allowance payment voucher was corrected, the amount mentioned in the words was not corrected accordingly and short signatures were not applied.

(ii)	Financial Regulations 232(2) and 248(2)	4,317,969	The information in the schedules included in the voucher should be completed and although the schedules were also to be certified, the schedules of 20 vouchers were not completed and certified.	Agreed with the audit and instructed to complete the information correctly in future.	Vouchers and schedules should be completed and certified as per the Financial Regulations.
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## 2.4 Informal Transactions

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(i) Total bills for Rs. 4000 were not submitted in settlement of the advances received by voucher Nos., 279 and 280 dated 27 June 2023 for the refreshments of the training programmes.	Due to missing original copies of invoices, only the bills of the advance paid to the institution in relation to the said transaction were attached to the voucher. It was also advised that the certified copies of invoices recovered would be forwarded to the audit and	Arrangements should be made to settle the received advances in properly.

that there was no cash irregularity and instructed to avoid such situations in again.

- (ii) According to paragraph 06(c) of the Ministry of Finance, Economic Stabilization and National Policies budget circular No. 01/2023 dated 27 January 2023, although those training opportunities should be provided only for the mandatory training that should be completed by the relevant officers to fulfill their qualifications, a one-day training workshop unrelated to fulfill such qualifications was held on 23 September 2023 for officers belonging to the primary service category. Rs. 111,376 had been spent for it and due to only 18 persons participated to this programme which was planned for 23 primary service officers, 31 percent participation was not for that.
- Several officers have not participated to the programme due to personal reasons and they have been informed about the importance of such capacity development training programme and they have been informed to participate in such programmes in future.
- Should be complained worth the circular and training programmes should be planned effectively.

### 3. Operational Review

#### 3.1 Planning

##### (a) Action Plan

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
As per paragraph 03 of Public Finance Circular No. 02/2020 dated 28 August 2020, an annual action plan should be prepared to implement the approved budget estimates for each year and although the action plan for the next year should be prepared before 15 <sup>th</sup> December of the	Agree with the audit and take necessary action to avoid such delays in future.	The action plan should be prepared and submitted in accordance with the guidelines contained in the circular.

conversion year and submitted to the Chief Accounting Officer for approval, the approval for the action plan for the year 2023 was given on 14 February 2023.

**(b) Procurement Plan**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>According to section 04 of Public Finance Circular No. 02/2020 dated 28 August 2020, although all Accounting Officers shall prepare the annual procurement plan for the implementation of recurrent and capital programmes in next year according to the subjects and tasks assigned to their institution before the 10<sup>th</sup> day of December of the conversion year and get the approval of the Chief Accounting officer for the same and a copy of that should be submitted to the Auditor General, the detailed procurement plan for the year under review was approved by the Chief Accounting Officer on 20 April 2023 and it was submitted for audit on 10 May 2023.</p>	<p>Agree with the audit and only the preparation of the detailed procurement plan was delayed.</p>	<p>The procurement plan should be prepared and submitted as per the circular.</p>

**3.2 Assets Management**

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) According to section 11.1.6 of Public Finance Circular No. 01/2020 dated 28 August 2020, although the board of survey report for the previous year should be submitted to the audit before 31</p>	<p>Agree with the audit. The board of survey reports of the year 2023 will be submitted to the audit as soon as possible and due to inconsistencies between the</p>	<p>According to the circular, the board of survey reports should be submitted within the relevant period.</p>



March of every financial year, the board of survey reports submitted in the year 2022 and the main inventory and survey reports were delayed in providing to the audit due to a survey had to be carried out again.

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| <p>(b) According to the board of survey report of the year under review, 40 units of 08 types of items were not included in the inventory documents and there was a surplus of 46 units of 9 types of inventory items and a shortage of one inventory unit.</p> | <p>Agree with the audit.</p> | <p>Action should be taken to enter the inventory items correctly to the inventory documents.</p> |
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### 3.3 Bail of Government Officers

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>Bail deposits were not taken from the officers who were required to deposit bails in in the office as per the terms of Financial Regulations 880 and 881(ii).</p>	<p>The officers who have to deposit bail have already been decided and the related activities are being carried out to get bail form those officers.</p>	<p>Action should be taken to obtain the deposit form the officers who have to deposit the bail according to the Financial Regulations.</p>

### 4. Human Resource Management

<b>Audit Observations</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>The approved number of employees in the office was 123 and as the actual employees was 88, vacancies were 35 or 28 percent from the approved staff. The audit cannot dismiss that the 13 senior level vacancies may have some effect on the performance of the office.</p>	<p>Due to the severe shortage of officers in the Sri Lanka Information Communication and Technology Service, it is problematic to fill that position. Appointments gave been made for the</p>	<p>Action should be taken to fill the vacancies in essential posts.</p>

post of Legal Officer from 03.04.2024. Requests have been submitted to the Director General of Combined Services regarding the transfer of the identified officers for the secondary and primary level vacant posts.