

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Ministry of Postal Services & Muslim Religious Affairs for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 including my comments and observations on the financial statements of the Ministry of Postal Services & Muslim Religious Affairs was issued to the Chief Accounting Officer on 31 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Ministry of Postal Services & Muslim Religious Affairs in terms of Section 11 (2) of the National Audit Act , No. 19 of 2018 was issued to the Chief Accounting Officer on 31 May 2019. 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 give a true and fair view of the financial position of the Ministry of Postal Services & Muslim Religious Affairs as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My 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 Responsibilities of Chief Accounting Officer for the Financial Statements

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 Ministry 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry exists, 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 the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters 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 (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Ministry of Postal Services & Muslim Religious Affairs to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of the Financial Statements with Provisions of the Circulars

The financial statements should have been prepared in terms of Public Accounts Circular, No. 267/2018, dated 21 November 2018. However, an instance of deviation is given below.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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According to the cash book in the format, Form ACA – 2 (II) introduced in the said Circular, and the print outs of the Treasury, the expenses incurred by the other Departments and Ministries should be shown separately. However, only the total expenditure had been show without doing so.	Expense incurred in terms of Financial Regulation 208, and the expenses incurred by the Ministry, should be separately shown in the Form ACA – 2 (I)	It is noted to rectify the deficiency in the future.

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) Differences were	The values should be	It is revealed that the value of

observed among the value of non-financial assets shown in the statement of financial position, the value of assets shown in the report sent to the Comptroller General of the Treasury, and the value of assets as per the books maintained by the Treasury on behalf of the Ministry. As such, the values of those assets amounted to Rs.354,590,940, Rs. 338,636,691, and Rs.1,063,772,815 respectively.

rectified and brought to accounts.

Rs.354,590,940 shown in the financial statements, had been increased three times due to a bug in the Cigas computer software and shown as Rs.1,063,772,815 in the books maintained by the Treasury on behalf of the Ministry. Action will be taken to rectify that error after having discussions with the Treasury.

(b) Four vehicles disposed in the year 2017, and a vehicle handed over to the Presidential Secretariat on 06 December 2018, had been brought to accounts as assets in the statement of financial position of the year under review. Accordingly, the value of assets had been overstated by a sum of

Action should be taken to rectify the value of assets.

Agreed. Action is being taken for the elimination of assets disposed in the year 2017.

Rs.25,300,000.

- (c) The Land Rover worth Rs.43,000,000 belonging to the Ministry had not been brought to accounts. The value of the vehicle should be brought to accounts under non-financial assets. As accounting of the said assets had been omitted by Cigas software, action is being taken for that value to be brought to accounts through Cigas.
- (d) Consumer items worth Rs286,175 had been included under the fixed assets. Fixed assets should be identified accurately and brought to accounts. Action is being taken to eliminate the consumer items from the fixed assets.

1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) The Treasury imprest and the other receipts totalling Rs.123,453,757 should have been shown as non-revenue receipts under the cash flows generated from the operating activities in the cash flow statement. However, the value had been shown as Rs.128,901,477 thus observing a difference of Rs.5,447,720.	The Treasury imprest and the total of other receipts should be shown as non-revenue receipts under the cash flows generated from the operating activities.	As the receipts had not been classified separately in accordance with the format of the cash flows, all of the financial receipts have been shown as non-revenue receipts. As such, in addition to the Treasury imprest valued at Rs.119,258,000 and the other receipts totalling Rs.4,195,757, the receipts of deposits totalling Rs.2,578,571 included in the statement of financial performance have been added to the receipts of advances totalling Rs.2,869,149, thus the overall receipt of Rs.128,901,477 has been shown as non-revenue receipts in the cash flow statement.

- (b) Receipts of deposits The receipts of As it was not possible to show the

<p>totalling Rs.2,578,571 should have been shown under the cash flow generated from the operating activities whilst the payment of deposits totalling Rs.3,976,839 should have been shown under expenditure. However, it had not been so done.</p>	<p>deposits should be shown under cash flow generated from the operating activities whereas the payment of deposits should be shown under expenditure of the said cash flow.</p>	<p>receipts of deposits and the payment of deposits separately on the format of the cash flow statement, the receipts of deposits totalling Rs.2,578,571 have been shown as non-revenue receipts in the cash flow statement. Furthermore, the payment of deposits totalling Rs.3,976,839 has been included in the sum of Rs.9,272,252 shown under the changes in deposit account and the other liabilities of the cash flow statement.</p>
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<p>(c) Although the Ministry does not have cash flows generated from the financial activities, a sum of Rs.9,272,252 had been shown as the changes in deposit accounts and other liabilities.</p>	<p>The cash flow statement should be prepared by considering that the Ministry does not have cash flows generated from financial activities.</p>	<p>The net cash flow of Rs.9,722,252 generated from the operating and investment activities has been derived after deducting the value of Rs.16,755,582 spent on constructing or purchasing the physical assets, from the net cash flow of Rs.26,477,834 generated from the operating activities. Only the sum of Rs.450,000 was the net change existed in the said balance as at 31 December 2018. Hence, the value of Rs.9,272,252 was identified as the difference of deposit accounts and other liabilities , thus showing in the cash flow statement.</p>
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<p>(d) Receipts of advances totalling Rs 3,952,593 and payment of advances totalling Rs.6,378,857 should have been shown under cash flows generated from the investment activities. It had not been so done.</p>	<p>Receipt of advances should be shown under cash flow generated from the investment activities whereas the payment of advances should be shown under the expenditure of that cash flow.</p>	<p>As it was not possible to show the receipts and payments of advances on the cash flow statement, the receipts and payments of advances were shown in the financial statements as non-revenue receipts and changes in deposit accounts & other accounts.</p>
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2. Financial Review

2.1 Commitments and Liabilities

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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Liabilities valued at Rs.787,308 had not been included in the notes annexed to the financial statements..	The liabilities should be reported accurately.	Agreed.

2.2 Issue and Settlement of Advances

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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Sub-Imprests should be given on a day close to the date of execution of the relevant activity in terms of Financial Regulation 371 (2) as amended by the Public Finance Circular, No. 03/2015 dated 14 July 2015. Furthermore, the imprest should be settled within 10 days after completion of the intended purpose in terms of Financial Regulation 371 (5). However, once a sub imprest was obtained, it was observed that the time taken to settle the advance ranged from 11 days to 21 days advance in 240 instances	Action should be taken to settle the advances in terms of the Financial Regulations.	Agreed. All the employees have been made aware to comply with the Financial Regulations when issuing sub imprests. It is informed that action is being taken to avert such deficiencies in the future.

3. Operating Review

3.1 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) A total of Rs. 714,687 comprising sums of Rs. 498,394, and Rs.216,293 spent on repairs and insurance charges respectively for a BMW motor vehicle, had been incurred in the year under review. However, the said vehicle had not been run during the year under review.	The vehicle should be inspected properly when repaired, and action should be taken to make repairs by obtaining estimates accurately.	A huge cost had to be incurred to make a repair further even after carrying out the repairs. As such, the vehicle had been handed over to the Presidential Secretariat on 23 January 2019.
(b) Due to reasons such as accidents, and inefficiencies in carrying out repairs, one motor vehicle had not been run during the year whilst a Cab had been run only for 259 Km during the year.	Action should be taken to efficiently carry out repairs without delays.	It is informed that this vehicle too was underutilized due to unavoidable circumstances, and the time taken for repairs was beyond control as the repairs had been done with the cooperation of several institutions.

3.2 Management Inefficiencies

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) The loan balance that had not been recovered from a deceased officer and 02	Action should be taken to recover the non-recovered loan	Agreed.

officers who had vacated the service, totalled Rs.497,037 as at 31 December 2018. Those loan balances had continued to exist over periods ranging from 03 to 12 months.

balances in terms of Section 4.4 of Chapter XXIV of the Establishments Code.

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| <p>(b) A Toyota motor vehicle had met with an accident on 28 February 2016 and the estimated loss amounted to Rs.4,183,286. Although a period of about 03 years had elapsed since the date of accident, no reports had been furnished in terms of Financial Regulation 104 (4). Hence, the parties responsible for the accident had not been identified.</p> | <p>Activities such as, presentation of reports in accordance with the provisions relating to accidents, prompt identification of parties responsible, and carrying out repairs efficiently and without delays, should be done.</p> | <p>The repairs are delayed until the approval of the insurer is received as the Agent, when preparing estimates for the repairs, proposes to fully replace the parts with minor damages but the insurer demands that the parts with minor damages be repaired and reused when approval is given. As such, repairs are carried out once the approval of the insurer is received thus saving the unnecessary expenses and the public funds.</p> |
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4. Achievement of Sustainable Development Goals

The following observation is made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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<p>Every public institution should adhere to the “2030 Agenda” of the United Nations on sustainable development, and the Ministry of Postal Services & Muslim Religious Affairs had furnished information in the preceding year relating to 04 objectives. It had been informed that the “Bepost Project” would be given priority. However, it was observed that no action had been taken to establish an accurate database to evaluate the achievement of sustainable</p>	<p>An unambiguous data base should be established in order to evaluate the achievement of sustainable development goals.</p>	<p>The indicators such as, the number of entrepreneurs registered, and the number of registered items produced, can be identified with respect to the programme being in progress at present. It is expected to promote this programme by utilizing the provision to be received in the future.</p>

development targets of the said project.

As such, the goals achieved in the year under review could not be examined.

5. Human Resource Management

The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
As at 31 December 2018, thirty three posts had fallen vacant. Of those vacancies, one post of Information Communication Technology Officer, 02 posts of Assistant Information Communication Technology Officer, 02 posts of Translator, one post of Transport Officer, and one post of Camera Operator, had remained vacant for 04 years in the Ministry.	Recruitments should be made without delay to fill vacancies. In the case of non-required posts, the approved cadre should be revised.	- Recruitments had been made on 01 March 2019 for the KKS vacancy. Applications have been called to fill 03 vacancies in the post of Driver. The relevant appointing authority has been requested from time to time to appoint officers to the other posts. Action has been taken to fill vacancies through transfers by informing the officers.