

Head 227 – Department for Registration of Persons

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department for Registration of Persons 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 Department for Registration of Persons was issued to the Accounting officer on 20 June 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. As per Section 11 (2) of the Audit Act, the Detailed Annual Management Audit Report related to the Department for Registration of Persons was issued to the Accounting Officer on 10 June 2019. 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, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Department for Registration of Persons as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Chief Accounting Officer and 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 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 Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Department 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 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 Department 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 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 the summary report of the Auditor General 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5. Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the Department for Registration of Persons to prepare 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 Department for Registration of Persons to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on the Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) As per the Postage Revenue Report of the year 2018, the Postage Revenue earned from stamps was Rs. 2,704,455. However, the postage revenue as per the report obtained from the Computer system of the Department was Rs. 2,924,736. Accordingly, a difference of Rs. 220,281 was observed.	If there are shortcomings in the computer system, they should be corrected and updated.	Action is being taken to implement a programme to record accurately.
(b) Reasons provided for differences prevailed between the net provisions and actual expenditure in relation to 04 Recurrent Objects and 07 Capital Objects were not to the accepted level.	Estimates should be prepared realistically after identifying the requirements.	The matters, which caused the difference, had not been noted down by mistake.
(c) The Department had applications with affixed stamps under the normal service from September to December in the	The value of Rs. 616,185, which was the income received from applications	Accounting should be done in the following year after obtaining the

year 2018 and the postage revenue with affixed stamps under the value. received from such applications had not normal service from been included in the statement of September to December in income. the year 2018.

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) According to the financial statements of the Department and according to the computer printout of the General Treasury, net differences amounting to Rs .46,252,598 had existed among the values of 7 assets.	Action should be taken to identify the difference and to rectify it.	Action will be taken to rectify the difference in the future.
(b) According to the value of non-financial assets in the financial statement presented and according to the fixed assets register, a net difference amounting to Rs .2,144,860 had existed among the values of assets that had been acquired within the year.	Action should be taken to identify the difference and to rectify it.	Action will be taken to rectify in the future.

1.6.3 Non-compliance to Laws, Rules and Regulations

Instances of non-compliance to laws, rules and regulations observed at the audit test checks are analyzed and mentioned below.

Observation	Recommendation	Comments of the Accounting Officer
Reference to Laws, Rules and Regulations	Non-Compliance	
(a) Statutory Provisions Section 2 of the Registration of Persons (Amendment) Act	Registration of all the citizens of Sri Lanka (Personal Data Register) had not been	Registration of all the citizens of Sri Lanka in terms of the Act.
		Action will be taken to initiate a programme expeditiously.

No. 8 of 2016 done.

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| (b) | FR 94 (2) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | Entered in to liabilities amounting to Rs. 4,864,191 duly exceeding 50 per cent for 8 Objects. | Action should be taken in terms of the Financial Regulations. | Action should be taken in compliance with the priorities of the Department. |
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2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation

- (a) Provisions amounting to Rs. 5.48 million had been saved out of the net provisions of Rs. 46.36 million allocated for 7 Objects and it was in the range of 8 per cent to 90 per cent out of the provisions made. Likely, Savings of 7 Objects were in the range of 8 per cent to 100 per cent out of provisions allocated for those Objects.
- (b) The Total provision amounting to Rs.2.5 million allocated for two capital Objects had been saved without spending.
- (c) It was observed that an amount of Rs. 5.93 million had been transferred from other Objects by Provisions stipulated in FR 66/69 for one Object for which provisions had not been allocated.

Recommendation

Strong attention should be focussed on the effect that may cause to the National Income due to the preparation of estimates realistically and preparation of over estimates.

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Comments of Accounting Officer

Provisions had been saved as expenses had not been incurred as expected.

It was not required to incur expenditure during the year.

Obtaining the approval of the General Treasury on the need that took place later.

2.2 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
(a) Particulars regarding liabilities amounting to Rs. 3.91 million paid in the year 2019 for the year under review had not been disclosed by Note IV which was stated along with financial statements.	Information on liabilities should be accurately disclosed.	Instructions had been provided to rectify the shortcoming in the future.
(b) It was observed that an amount of Rs.13.43 million had been overspent by exceeding net Provisions of 15 Objects.	Action should be taken to incur expenditure within the limits of Provisions.	Non submission of bills.

2.3 Utilization of Provisions Provided by the other Ministries and Departments

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
Provisions amounting to Rs.883.44 million out of Rs.1,300 million allocated for the year under review for Electronic National Identity Cards Project under the Ministry of Internal Affairs, Wayamba Development and Cultural Affairs had been saved.	Action should be taken to accomplish the functions planned in an effective manner.	Such a situation had taken place due to the revision made to the project plan and non-approval of the revised plan in the year 2018 and administrative changes that had taken place and matters that were beyond the control.

3. Operational Review

3.1 Non- accomplishments of Functions

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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<p>The Legal Division of the Department had received 8609 problematic applications on reasons such as the submission of Dual applications, existence of photographs of other persons for the same number, submission of distorted Identity Cards and identity cards of other persons with revised applications, submission of fake birth certificates and it was not possible to finalize the processing of 3,096 applications or 36 per cent of applications out of the total applications.</p>	<p>An identity card should be issued to every person who has completed the age after solving problems expeditiously.</p>	<p>Necessary steps will be taken to adopt a expeditious procedure in the future.</p>

3.2 Implementation of Projects under Domestic Financing

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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<p>(a) Physical Progress had not been achieved for 24 functions out of 46 sub functions under 15 major functions of Electronic National Identity Cards Project and there were 03 functions which had achieved a physical progress in the range of 10 per cent to 15 per cent. More than 50 per cent of the other functions had been accomplished.</p>	<p>Action should be taken to accomplish objectives of the project by accelerating the functions of the Electronic National Identity Card Project.</p>	<p>It was not possible to approve the revised project plan and arrangements should be made in the future to duly approve the revisions.</p>
<p>(b) Even though it had been anticipated to complete the Electronic National Identity Cards Project by September</p>	<p>Action should be taken to expeditiously</p>	<p>It was not possible to approve the revised project plan and</p>

<p>in the year 2018 by the allocation of Provisions of Rs. 100 million, those projects had not been commenced as it was not possible to find an appropriate place to establish the North Central, Uva and Sabaragamuwa Provincial Offices.</p>	<p>accomplish the objectives of the Electronic National Identity Cards Project.</p>	<p>arrangements should be made in the future to duly approve the revisions.</p>
<p>(c) Provisions amounting to Rs. 545 million had been allocated for the supply and instalment of equipment related to the collection of biometric data of citizens, establishment of communication equipment and obtaining opinions on the collection of personal data and obtaining opinions on the project and those functions had not been initiated even by the end of the year under review.</p>	<p>Action should be taken to expeditiously accomplish the objectives of the Electronic National Identity Cards Project.</p>	<p>Project plan had not been approved.</p>
<p>(d) Even though the Provisions amounting to Rs. 5,082.50 million had been allocated during the year under review for the processes such as procurement of software for automated identification of finger prints and for purchasing hardware for the data centre, training of officers in relation to the task of collecting data of citizens, electronification of data and establishment of the national persons registry, improving the personified registration system, registration of persons for issuing the electronic national identity cards, procurement of electronic identity cards and issuing of electronic identity card, decentralization and data confirmation process and identification of needs of users, those functions had not been initiated even by the end of the year under review.</p>	<p>Action should be taken to expeditiously accomplish the objectives of the Electronic National Identity Cards Project.</p>	<p>-Do-</p>

3.3 Losses and Damages

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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Five (5) per cent to 14 per cent of Identity Cards under the normal service and 5 per cent to 7 per cent of Identity Cards under the One-day service had been wasted due to various defects in the printing of identity Cards from January to December in the year 2018. A cost of Rs. 6.05 million had been incurred in this regard by the Department.	Action should be taken to minimize defects.	The reason was the shortage of officers who are capable of working bilingually.

3.4 Uneconomic Transactions

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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Applications, hand bills, instruction sheets, finger print scanning sheets provided for 331 Divisional Secretariats to prepare personal data registries in the year 2015 by the Electronic National identity Cards Project had not been utilized and stored in unsecured places in the premises of divisional secretariats and the value of such sheets was about Rs. 396.35 million.	Making arrangements in this regard as the sheets are destroyed without using them for 4 years.	Searching the possibility of using those materials for accomplishing the requirements of the other public offices.

3.5 Management Weaknesses

The following observations are made.

Audit Observation

Recommendation

Comments of Accounting Officer

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| (a) Information had been called by the Department for Registration of Persons for conducting an investigation in Maharagama, Sri Jayawardenepura Kotte and Thimbirigasyaya on the applications submitted by the applicants for the preparation of National Identity Cards and a period of 01 month to 11 months had been spent for sending replies. | Providing information expeditiously to the Department for Registration of Persons for conducting investigations. | Necessary steps have been taken to minimize such delays in the future. |
| (b) There was an instance where one identity card had been issued to two persons and even though the name of persons appeared in the identity card was similar, there were two addresses and photographs of two persons. Accordingly, the number of an identity card and its information issued by the Department to a person for the first time had been issued to another person for the second time. | Action should be taken to minimize defects. | The relevant applications have been refereed to an investigation and action will be taken to rectify the error once the investigation is finalized. |
| (c) Fifteen (15) applications with defects had been received to the Dehiwala Divisional Secretariat and action had not been taken to correct the applications or to make the relevant parties aware of the defects even though a longer period such as 02 years and 08 months had passed. Processing of about two hundred and eighty four (284) applications received to Homagama and Thimbirigasyaya Divisional Secretariats had been delayed due to various reasons. | Identity cards should be issued by taking expeditious action related to the applications that are being submitted. | The relevant officers have been made aware to take action for minimizing errors in order to avoid the reoccurrence of such shortcomings in the future. |

4. Good Governance

4.1 Rendering Services to the General Public

Audit Observation

Recommendation

Comments of Accounting Officer

Action had not been taken to pay prescribed charges for 783 applications received to the Thimbrigasyaya Divisional Secretariat from 03 schools even though approximately a period of 4 months had passed. The perfection of those applications had not even been examined.

Action should be taken to expeditiously issue identity cards after the examination of defects.

It was not possible to finalize the task as there were more schools and there were large number of applications to be processed under one day service.