

Head 225 –Sri Lanka Police

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Police 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, my comments and observations on the financial statements of the Sri Lanka Police, appear in this report. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report was issued on 08 July 2019 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of 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 financial statements give a true and fair view of the financial position of the Sri Lanka Police 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 responsibility, under those standards is further described in the Auditor’s Responsibility 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 Statement

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 Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Police 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 Police.

In terms of Sub-section 38(1) (d) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the

Police 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 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, 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, 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 Police'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 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

As required by Sub-section 6 (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

As there was no requirement of preparation of financial statements by the Police for the preceding year, recommendations on financial statements has not been presented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Statement of Financial Position

The following observations are made.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| I) The value of property, plant and equipment of the statement of non-financial assets presented along with the statement of financial position, had been Rs. 20,657,144,308 and according to the Report on Assets of the Treasury as at 31 December 2018, the said value had been Rs.20,735,157,567, thus observing a difference of Rs.78,013,269. | Action should be taken to prepare accounts by comparing values according to the Treasury Books and the financial statements. | The financial statements have been prepared on information obtained from 47 units of regional sub-accounts. The accuracy of data furnished for identifying the anomaly, should be examined. There is no possibility of completing this process speedily and identification of relevant anomalies has been commenced. |
| II) The value of liabilities presented by the Department of the Treasury as at 31.12.2018 had been Rs.829,876,521 and according to the financial statements, the said value had been Rs.825,622,408, thus observing a difference of Rs.4,194,114. | -Do- | The financial statements have been prepared based on information obtained from sub-accounts relating to the Shrama Lanka Police comprising 47 units of regional sub-accounts. The accuracy of data submitted for identification of this anomaly should be examined. There is no possibility of completing this process speedily and identification of relevant anomalies has been |

commenced.

1.6.2 General Deposits

The following observations are made.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| a) A sum of Rs. 11,503,192 granted from India for the construction of the SAARC Terrorist and Drugs Offences Monitoring Desk in the year 2013, had been retained in the Deposit Account without performing relevant purpose and without the Treasury approval. | Provisions should be utilized for relevant objectives. | The said money had been further retained due to incompleteness of this project. |
| b) The arbitration process relating to 67 projects which had been discontinued due to following improper procurement processes, had not been completed up to now. As such, the value of deposits remained unsettled under the category of buildings over a period between 2 and 5 years, had been Rs.228,435,331. | Problems of procurement process should be speedily solved and lapsed deposits should be settled. | As arbitration process has not been completed, those moneys have been further retained in the Deposit Account. |
| c) The sum of Rs.4.15 million received from Republic of China for welfare activities of persons who were disabled while engaging them in duties, had not been utilized for the relevant purpose and as such, it had been deposited in an account of the Treasury Operations Department in the year 2015. However, the said donation had not been utilized even by the end of the year of accounts of 2018 for the relevant purpose. | Provisions should be utilized for relevant objectives. | Action is being taken to carry out the intended purpose by utilizing these moneys during the year 2019. |

1.6.3 Responsibility of the Accounting Officer

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Sri Lanka Police and carry out periodic reviews to monitor the | Action should be taken in terms of Sub-section 38 of the National Audit Act, No. 19 of 2018. | Action is taken to present since the year 2019. |

effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out. Even though those reviews should be carried out in writing and copies of the same shall be made available to the Auditor General, statements that such a review had been carried out, had not been made available to Audit.

1.6.4 Balances in Advance Accounts

The following observations are made.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
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| ----- | ----- | ----- |
| a) According to the Advances to Public Officers Control Account, the balance as at 31 December had been Rs.1,084,624,217 and the total of the summary of classification of individual balances as at that date, had been Rs.999,885,638, thus indicating a difference of Rs.84,738,579. Action had not been take to identify the said difference and make necessary adjustments. | Action should be taken to settle by identifying differences. | This difference has been remaining for a long period and errors in entering of loan balances and errors in omitting had occurred. Even though the difference had been identified, rectification of identified errors are made by identifying all information correctly. |
| b) In terms of the reconciliation statement made available to Audit, the outstanding balances recoverable from 4,073 officers as at that date totalled Rs.88,696,932 and even though outstanding loan balances older than 03 years totalled Rs.60,796,844, follow up action for recovery of those outstanding balances was at a weak level. | Measures should be taken to recover outstanding loan balances. | Accountants and committees on recovery of loans, established at divisional level had, been briefed for settling those outstanding balances by collecting information at divisional level. |

1.6.5 Non-compliance with Laws, Rules and Regulations

| Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| <p>-----</p> <p>Reference to Laws, Rules and Regulations</p> <p>-----</p> <p>Paragraph 3.2.6 of the Public Finance Circular No. 05/2016 of 31 March 2016</p> | <p>-----</p> <p>Non-compliance</p> <p>-----</p> <p>Boards of survey in Western and Northern Provinces had not been completed even by 30 June 2019.</p> | <p>-----</p> <p>In terms of circulars, boards of survey should be duly completed and submitted reports thereon.</p> <p>It could not be duly completed due to dearth of officers in the Northern Province. However, about 50 per cent of the survey has been completed. Survey programmes are carried out and planned to be completed as at 31 August 2019.</p> |

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

| Audit Observation | Recommendation | Comments of the Chief Accounting Officer |
|---|---|--|
| <p>-----</p> <p>(a) Savings out of the net provisions totalling Rs.2,618,000,000 made for 08 Objects, amounted to Rs.1,189,483,575, thus representing those savings from 84 per cent to 100 per cent.</p> | <p>-----</p> <p>Provisions should be utilized efficiently to the maximum.</p> | <p>-----</p> <p>Various problems such as non-receipt of imprests, changing the Ministry and non-receipt of assistance of experts duly, had been the reasons for savings.</p> |

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| <p>(b)Supplementary provisions amounting to Rs.745,000,000 had been made for 05 Capital Objects and a sum of Rs.704,360,041 million of the said provision had been saved, thus representing those savings from 60 per cent to 100 per cent.</p> | <p>Supplementary provisions should be utilized efficiently to the maximum.</p> | <p>Various problems such as non-receipt of imprests, changing the Ministry, issues in the establishment of procurement committees and non-receipt of assistance of experts duly had been the reasons for delays in completing contracts, thus indicating savings..</p> |
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3. Operating Review

3.1 Non-performance of Functions

| Audit Observation ----- | Recommendation ----- | Comments of the Chief Accounting Officer ----- |
|---|---|--|
| <p>Previous conviction registers maintained by Police Stations relating to persons who are taken into custody and become offenders in the Court in respect of illicit liquor and narcotics, had not been computerized in 22 Police Stations. A register is maintained based on an English Letter relating to the name of those offenders and there were instances of exceeding the 2000-3000 names of offenders relating to certain English Letters. As such, there was no possibility of identifying previous convictions of a person instantly and examining whether previous convictions exist in other Police Stations.</p> | <p>Action should be taken to computerize.</p> | <p>It is expected to prepare an appropriate methodology in respect of computerizing of previous conviction registers by studying in this connection.</p> |

3.2 Failure in obtaining the expected Output

| Audit Observation | Recommendation | Comments of the Chief Accounting Officer |
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| ----- | ----- | ----- |
| <p>Action should be taken according to the “National Police Academy Fund” relating to activities on “Moneys” included in the Part V of the National Police Academy Act, No.44 of 2011 and according to Sections from 22 to 28 of the said Act. Nevertheless, the Academy had taken action under the Negombo Police Division.</p> | <p>Action should be taken in terms of the National Police Academy Act.</p> | <p>Action will be taken in terms of the Act since the year 2019.</p> |

3.3 Management Weaknesses

The following observations are made.

| Audit Observation | Recommendation | Comments of the Chief Accounting Officer |
|---|---|--|
| ----- | ----- | ----- |
| <p>(a) According to the Police Order B-9, in the commencement of Police Stations, those are graded based on matters submitted. However, clear criteria had not been formulated therefor.</p> | <p>Criteria should be formulated.</p> | <p>Criteria are being formulated regarding the grading of police stations and those criteria are reviewed by referring to the panel of experts and published subsequently.</p> |
| <p>(b) After grading at the time of establishment of the Police Station, it had not been again reviewed. However, allowance for the Inspector General of Police and the entertainment allowance had been monthly paid on the basis of the said Grade.</p> | <p>It should be timely reviewed and allowances, paid accordingly.</p> | <p>Action is now being taken to publish the Gazette Notification pertaining to the new grading of Police Stations. Accordingly, there is a possibility of obtaining the allowance for Inspector General of Police and the entertainment allowance so as to suit the current situation.</p> |

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|--|---|---|
| <p>(c) Damage of stocks of 8,873 units belonging to 05 items of stocks valued at Rs.17.53 million, shortage of 103,660 units belonging to 08 items of stocks valued at Rs.27.76 million, surplus of 11,499 units belonging to 05 items valued at Rs.22.48 million and about 61,000 meters of Khaki cloths valued at Rs.21.02 million were observed. The inquiry conducted in this connection had not been completed.</p> | <p>Inquiries should be expedited and appropriate measures should be taken based on reports thereon.</p> | <p>The progress of inquiries conducted, will be reported later.</p> |
| <p>(d) The number of persons taken into custody in respect of heroin and cannabis in the year 2017 stood at 29,288 and 51,788 respectively. However, it had increased up to 40,987 and 54,685 respectively in the year under review.</p> | <p>Appropriate measures should be taken to minimize the usage those narcotics in parallel to conducting raids successfully.</p> | <p>Replies had not been made.</p> |

3.4 Procurement

The following observations are made.

| Audit Observation | Recommendation | Comments of the Chief Accounting Officer |
|---|---|---|
| ----- | ----- | ----- |
| <p>(a) Even though a sum of Rs.341.09 million had been spent for 04 construction projects within the middle term budget 2016-2018, the said 04 projects had not been completed.</p> | <p>Action should be taken to complete projects within the due period.</p> | <p>Replies had not been made.</p> |
| <p>(b) Construction activities of Married Quarters Project, located at Kumararathnam Mawatha, Colombo, for</p> | <p>Speedy and appropriate measures should be taken on the delay of the Project.</p> | <p>Replies had not been made.</p> |

which an agreement had been entered into for Rs.482.42 million on 15 November 2017, had not been commenced even by May 2019.

3.5 Uneconomic Transactions

The following observations are made.

| Audit Observation | Recommendation | Comments of the Chief Accounting Officer |
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| ----- | ----- | ----- |
| (a) According to the Cabinet Decision No.අමප/15/1707/741/001 of 10 December 2015, salaries paid for employees who were attached by the Bureau of Foreign Employment, should be reimbursed by the Police. Nevertheless, a sum of Rs.15.21 million paid in the year 2018 had not been reimbursed. | Action should be taken to reimburse salaries and allowances. | Particulars on monthly payments made, have been made available to relevant institution for the reimbursement. |
| (b) Even though a sum of Rs.8,895,273 had been spent for the construction of buildings on the land of 3.9842 hectares in extent vested in the Sri Lanka Police by the Ingiriya Divisional Secretary on 19 March 2018 under the Ingiriya City Development Plan, those activities have been discontinued at present. Boundaries had not been marked by erecting a protection fence around the land and the entire land was covered with weeds. | Action should be taken to utilize the land efficiently to the maximum. | According to the Certificate of Transfer of the Ingiriya Divisional Secretary, 04 blocks of lands of 3.9842 hectares in extent have been transferred. Waste collected on the said land have been removed at present and the In Charge of the Panadura Division has informed that disposal of waste is not further carried out to the said land. |
| (c) Even though a land of 75 acres in extent had been | Speedy measures should be taken to utilize the said | The Kotagala Plantations PLC who is the precedent lessee, |

vested in the year 2017 from the Rubber land called Ellakanda Watta, Horana for the construction of Police Mounted Division and the Police Ranaviru Care Centre, no construction whatsoever had been carried out even by August 2019. Moreover, a study on the suitability of the said land for the relevant purpose, had not been carried out. Further, necessary action had not been taken to harvest the yield of the land.

- (d) Despite having applied for quarters only by 133 officers belonging to Police Divisions of Galle, Matara, Tangalle and Elpitiya, action had been taken to purchase 192 houses at a cost of Rs.729,600,000 from the Habaraduwa “Nila Sewana” Housing Scheme. Even though a sum of Rs.500 million had been paid in 05 instances by 02 April 2019, no house whatsoever had been handed over to the Sri Lanka Police up to 18 June 2019. Further, in providing quarters, attention had not been paid on the possibility of reaching the service station easily and on common amenities required therefor.

vested land for the intended purpose.

Despite having not applied for quarters, an inquiry should be conducted on the purchase of 192 houses and attention should be paid on facilities of officers in the purchase of quarters.

had lodge an appeal to the Court of Appeal against the transfer of the said land. As such, further activities have been discontinued. Moreover, action is being taken to obtain the Cabinet approval for the estimate for erecting a fence around the land. The yield could not be harvested due to the said case.

Replies had not been made.

4. Good Governance

4.1 Internal Audit

| Audit Observation ----- | Recommendation ----- | Comments of the Chief Accounting Officer ----- |
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| Even though the post of Internal Auditor and 32 out of 60 posts in the post of Audit Officer of the internal Audit Unit had been vacant, failure in taking action to fill those vacancies had been hindrance to increase in the performance of the Unit. | Prompt action should be taken to fill relevant vacancies. | There is no possibility of appointing an officer to the post of Internal Auditor due to dearth of the Accountants' Service. There are difficulties in releasing of officers from other offices due to inability to appoint successors for Audit Officers. |

5. Human Resources Management

The following observations are made.

| Audit Observation ----- | Recommendation ----- | Comments of the Chief Accounting Officer ----- |
|---|---|--|
| (a) The approved cadre stood at 97,849 while the actual cadre stood at 82,596. Accordingly, vacancies and the excess cadre had been 15,569 and 316 respectively. Even though 361 posts in the senior level, 947 in the Tertiary level, 13,688 in the secondary level and 573 posts in the primary level had been vacant, action had not been taken to make recruitments therefor. | Action should be taken to make relevant recruitments. | Replies had not been made. |
| (b) Even though the schemes of recruitment relating to 05 posts belonging to the Police Uniform Staff and 83 posts in the Police Assistant Staff had been | It should be presented speedily for certifying after making relevant revisions. | Replies had not been made. |

revised after forwarding to the National Police Commission, it had not been presented for certifying by making those revisions.

- (c) An approved cadre on the manner in which the Police Uniform Staff is divided at the police station level, is not available and in the inception of the Police Station, the approved cadre existed further without revising timely, thus indicating an excess in certain police stations and dearth in other stations. It should be reviewed timely and approved by identifying the cadre which should be existed at the police station level. Replies had not been made.
- (d) The cadre expected to be approved as at 31 December 2018 in the Police Narcotics Bureau stood at 351 while the actual cadre as at date stood at 245, thus resulting in 106 vacancies and necessary action had not been taken to fill vacancies. Action should be taken to fill vacancies in the approved cadre. Replies had not been made.