

## **Head 157 - Ministry of National Co-existence, Dialogue and Official Languages**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ministry of National Co-existence, Dialogue and Official Languages 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 containing my comments and observations on the financial statements of the Ministry of National Co-existence, Dialogue and Official Languages was issued to the Chief Accounting Officer on 07 June 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 13 June 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 Ministry of National Co-existence, Dialogue and Official Languages at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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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 and Accounting Officer on Financial Statements**

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Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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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 skepticism 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.
- It is not intended to express an opinion on the effectiveness of internal control of the Ministry to plan appropriate audit procedures in a timely manner.
- Evaluate Structure of Financial Statements Including Disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

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I declare the following matters in terms of Section 6 (d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) As there was no need to prepare financial statements for the previous year for the Ministry of National Integration, Official Languages, Social Progress and Hindu Religious Affairs, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.
- (b) As there was no need for the Ministry to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been furnished.

## 1.6 Comments on Financial Statements

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### 1.6.1 Submission of Accounts

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The following financial statements had not been furnished to audit by the Ministry on due date.

#### Audit Observation

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Although the Annual Financial Statements should be submitted to the Auditor General before 28 February 2019 in terms of State Accounts Circular No. 267/2018 dated 21 November 2018, the Tamil Version of the financial statements was submitted to audit on 25 March 2019 after a delay of 25 days.

#### Recommendation

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Prepare and submit financial statements in accordance with Paragraph 9.1 of the State Accounts Circular No. 267/2018 of 21 November 2018 .

#### Comments Given by the Chief Accounting Officer

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That the translation of the Annual Financial Statements in to Tamil has been delayed.

### 1.6.2 Statement of Financial Position

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The following observation is made.

| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments Given by the Chief Accounting Officer</b>   |
|--|---|---|
| -----  | -----   | -----   |
| Even though the opening balance of assets of the financial statements for the year 2018 was Rs. 181,734,104, the opening balance as per the Treasury Computer Printouts was Rs. 150,466,027. Further, even though the value of fixed assets purchased during the year under review was Rs. 69,481,220 , the purchases had been stated in the Treasury Printouts as Rs. 101,257,891 adjusting the difference in the opening balances and the corrections made by the Treasury amounting to Rs. 31,776,671 . | Actions should be taken to mention the accurate balances adjusting the identified differences whilst preparation of the financial statements. | Non- inclusion of the value of the car purchased in the year 2017 in to the fixed assets of the year 2017 had caused the difference in the opening balance. Non- inclusion of the value of office equipment purchased during the year under review had caused this difference and the officials have been instructed to correct them. |

### 1.6.3 Cash Flow Statement

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The following observations are made.

| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments Given by the Chief Accounting Officer</b>  |
|---|---|--|
| -----   | -----   | -----  |
| (a) The cross entry valued at Rs. 4,564,153 had also been included in the balance of Rs. 14,618,027 stated as receivables in the Advance Account. | The accurate financial values should be identified whilst preparation of the Cash Flow Statement. | Lack of knowledge and training in preparing cash flow statements, there was a limited time to prepare financial statements and financial statements will be prepared to minimize mistakes in the future. |

- (b) The value of non-taxable income and the other income remained in the Financial Performance Statement amounted to Rs. 8,022,951 had not been included in the Cash Flow Statement. -do -do-
- (c) Recurrent and Capital Expenditure incurred by the provisions received from the other Ministries amounted to Rs. 5,266,270 and Rs. 605,796 respectively had not been stated in the Cash Flow Statement. -do -do-
- (d) The refunds of the deposits amounting to Rs. 491,106 stated in the financial performance statement had not been shown in the Cash Flow Statement. -do -do-
- (e) The value of Rs. 10,053,874 received from the Advances to Public Officers Account activities and the value of Rs. 17,503,826 paid to the officers had not been adjusted to the net cash flow generated from the investment activities. The receipts from public officers' advances and the interest thereon should be shown in the net cash flow generated from investment activities. -do-

#### 1.6.4 Reconciliation Statement of Advances to Public Officers Account

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The following observations are made.

| Audit Observation  | Recommendation   | Comments Given by the Chief Accounting Officer  |
|--|--|---|
| -----  | -----  | -----   |
| (a) Actions had not been taken to recover the debt balances recoverable from two officers who had station transfers in the year 2017 amounted to Rs. 279,878 | Steps should be taken to recover the debt balances by complying with the provisions. | The relevant officers were instructed to get involved with the Ministry of Plantation Industries and recover the loan balances of the two officers who had station transfers to |

stated under the unsettled advance balance in 2018 .

that Ministry .

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|---|---|---|
| <p>(b) Actions had not been taken to recover the outstanding loan balances of four officers who had been interdicted for more than 05 years totalled to Rs. 242,820 during the year under review.</p> | <p>Actions should be taken to recover the loan balances with out delay.</p> | <p>That the cases have been filed in the District Courts to recover the debts of two employees and since there is no information available in respect of one employee, actions are being taken to send to the approval of the Secretary to write off that loan balance.</p> |
|---|---|---|

**1.6.5 Non-availability of documents and books**  
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It was observed during audit test checks carried out the following documents had not been maintained by the Ministry.

| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments Given by the Chief Accounting Officer</b>                              |
|---|---|--|
| -----   | -----   | -----  |
| <p>(a) <b>Register of Surety</b><br/>-----</p> <p>A Register of Surety consisting the details of the officers and employees who should keep surety had not been prepared in accordance with Financial Regulation 891 (1).</p> | <p>A Register of Surety consisting the details as per the Financial Regulation 891 (1) should be maintained in respect of the officers who should keep surety.</p>          | <p>The relevant officials were instructed to maintain the Register of Surety .</p> |
| <p>(b) <b>Register of Electrical Equipment</b><br/>-----</p> <p>A Register of Electrical Equipment had not been maintained in terms of Financial Regulation 454 (2) .</p>   | <p>An Inventory Book should be maintained with regarding all electrical components and equipment in government buildings as specified in Financial Regulation 454 (2) .</p> | <p>The officers were instructed to maintain and update the registers.</p>          |

**(c) Register of Losses**

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The Register of Losses had not been updated in terms of the Financial Regulation 110 . The Register of Losses should be maintained in an updated manner in terms of the Format under Financial Regulation 110 . -do-

**1.6.6 Certificates to be made by the Chief Accounting Officer**

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Although the Chief Accounting Officer should certify the following matter in respect of the provisions of Section 38 of the National Audit Act, No. 19 of 2018 , actions had not been taken accordingly

| <b>Audit Observation</b>   | <b>Recommendation</b>  | <b>Comments Given by the Chief Accounting Officer</b>   |
|--|--|---|
| -----<br>The Chief Accounting Officer should ensure that an effective internal control system for the financial control 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. Even though such reviews should be made in writing and submitted a copy to the Auditor General, the statements that such reviews were made had not been furnished to audit | -----<br>Actions should be taken in terms of Section 38 of the National Audit Act No. 19 of 2018 . | -----<br>The internal control system is being reviewed through the Audit and Management Committees and the relevant officers were instructed for the further strengthen of the existing internal control systems. |

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

Instances of non - compliances with provisions in Laws, Rules and Regulations observed during the course of audit test checks are analyzed below.

| Audit Observation   | Recommendation  | Comments Given by the Chief Accounting Officer  |   |
|---|---|---|---|
| <p>-----</p> <p><b>Reference to Laws, Rules and Regulations</b></p> <p>-----</p>                                  | <p><b>Non-compliance</b></p> <p>-----</p>   | <p>-----</p>  |   |
| <p><b>(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka</b></p> <p>-----</p>             |   |   |   |
| <p><b>(i) Financial Regulations (3)</b></p>   | <p>104 The preliminary reports had not been sent with regard to 03 accidents occurred to 02 vehicles even by the date of the audit.</p>       | <p>Just after a damage has been occurred, the investigation should be commenced determining the extent and causes of the damage by identifying those responsible thereon.</p> | <p>Steps have been taken to send the preliminary reports of accidents to the Ministry of Finance on 28 February 2019.</p> |
| <p><b>(ii) Financial Regulations 1646</b></p>   | <p>The daily running charts regarding 26 pool vehicles from the month of June to December 2018 had not been furnished submitted to audit.</p> | <p>The running charts should be furnished to audit in due time period in accordance with the regulations.</p>   | <p>Officers were instructed to update the running charts and submit them to audit within due time period.</p>             |
| <p><b>(b) Section 3.3 of the Public Administration Circular No. 30/2016 of 29 December 2016</b></p>               | <p>The reports regarding the transport services had not been prepared in terms of the Format of the Circular.</p>                             | <p>The records in accordance with the Circular should be Maintained.</p>  | <p>A Register with regard to the Transport Services is prepared and being maintained with updates by now.</p>             |
| <p><b>(c) Asset Management Circular of the Department of State Accounts No. 01/ 2017 dated 28 June 2017 .</b></p> | <p>It had not been reported in respect of fixed assets valued at Rs. 251,215,324 to the Comptroller General at the end of the year</p>        | <p>Reporting of accurate information regarding the fixed assets to the Comptroller General.</p>   | <p>Since the computerization of the fixed assets took place until the month of December 2018, it was</p>                  |

under review.

unable to submit the report to the Comptroller General.

## 2. Financial Review

### 2.1 Expenditure Management

The following observations are made.

| <b>Audit Observation</b>  | <b>Recommendation</b>  | <b>Comments Given by the Chief Accounting Officer</b>  |
|---|--|--|
| (a) The entire net provision made available for 03 Capital Expenditure Objects amounted to Rs. 1.80 million had been saved without utilization.   | The Annual Expenditure Estimates should be prepared as the provisions stated in the Financial Regulation 50 is fulfilled . | Non-receipt of the requested imprests has resulted in these savings.   |
| (b) Out of the total net provision made available for 05 Recurrent Expenditure Objects amounted to Rs. 14.71 , since only a total of Rs. 11.17 million was utilized a sum of Rs. 3.54 million had been saved. The portion of savings had ranged from of 22 per cent to 99 per cent from the total net provision made available.                   | -do-   | The recurrent provisions were saved due to the inability to carry out the planned activities and the allocations for the field officers were not sufficient and the Sabaragamuwa Provincial Center was closed.     |
| (c) Out of the total net provision made available for the 09 nine Capital Expenditure Objects amounted to Rs. 294.60 million, since only a total of Rs. 182.68 million was utilized a sum of Rs. 111.92 million had been saved. The portion of savings had ranged from of 20 per cent to 76 per cent from the total net provision made available. | -do-   | The provisions have been saved due to non- receipt of imprests for the office equipment for field officers and non- receipt of imprests for other institutions under the Ministry and absence of new recruitments. |

## 2.2 Entered in to Liabilities and Commitments

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The following observation is made.

| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments Given by the Chief Accounting Officer</b>  |
|---|---|--|
| -----   | -----   | -----  |
| As per the financial statements of the National Institute of Language Education and Training as at 31 December 2018 it had been mentioned that the receivable amount from the Ministry as Rs. 14.2 million. Nevertheless, that amount had been shown as Rs. 11.97 million understating Rs. 2.22 million as per the liability statement of the Ministry. | Measures should be taken in respect of the commitments and liabilities in terms of the provisions of the State Accounts Circular. | Since the previous year's commitments had to be reported expeditiously to the Department of Treasury Operations, actions have been taken to record the approximate savings of the provisions as liabilities. |

## 3. Operational Review

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### 3.1 Delays in Executing Projects

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The following observation is made.

| <b>Audit Observation</b>   | <b>Recommendation</b>  | <b>Comments Given by the Chief Accounting Officer</b>  |
|--|--|--|
| -----  | -----  | -----  |
| Out of the 7500 chairs purchased to distribute to the coexistence societies, on 29 December 2017 a number of 775 chairs worth of Rs. 561,104 had remained without distributing even by 27 May 2019 . | Implement and complete the relevant programmes within the designed period. | The remaining chairs could not be distributed due to the turbulent atmosphere caused on 21 April 2019 and arrangements have been made to distribute these chairs to the coexistence societies in the following months. |

### 3.2 Losses and Damages

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The following observations are made.

| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments Given by the Chief Accounting Officer</b>  |
|---|---|--|
| -----   | -----   | -----  |
| <p>(a) The Mitsubishi Double Cab that had crashed on 01 July 2018, had been parked at the garage of the agent without any repairs up to the month of May 2019. Due to the lack of quick preliminary investigations in respect of this accident, the opportunity to recover the damage was missed.</p>   | <p>The investigation should be carried out immediately in accordance with the Financial Regulations to be able to identify the parties responsible for vehicle accidents and recover the damages.</p> | <p>It will take some time for the repair of the vehicle until import the air bag and seat belts needed for the repair from Germany.</p>  |
| <p>(b) The BMW vehicle purchased in October 2018 for the value of Rs 32.7 million had been repaired incurring a sum of Rs. 570,296 from the Agent in December 2018 due to damage caused to the tyres during the first run. Since the use of a different type of fuel instead of specified fuel in the vehicle whilst re-run in January 2019, a cost of Rs 1.08 million had been incurred to repair the defect occurred in May 2019. It was revealed that the two incidents had done by two temporarily appointed officers .</p> | <p>Actions should be taken to carry out immediate inquiries to recover the losses in terms of Financial Regulations in the event of vehicle accidents or defects occurred .</p>                       | <p>Preliminary Reports on those losses have been prepared and sent.<br/>The vehicle has been sent to repair by now and the estimated cost is Rs. 1,089,788. It was informed to take measures regarding this to recover from the responsible parties.</p> |

#### 4. Human Resource Management

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The following observation is made.

| <b>Audit Observation</b>   | <b>Recommendation</b>                                     | <b>Comments Given by the Chief Accounting Officer</b>  |
|--|---|--|
| -----  | -----   | -----  |
| The applications were called for the recruitment of 110 officers in Class III of the National Integration Coordinator Service in the years 2017 and 2018. Even though a sum of Rs. 3.47 million was incurred for recruitment purposes, the recruitments had not been carried out until 28 May 2019 . | Recruitments should be expedited for the essential posts. | The written part of the National Integration Coordinator Examination was held on 16 September 2018 and the oral part was held on 25 February 2019 and once the results have been obtained, actions will be taken to conduct the interview and recruit. |