

Head 320- Civil Security Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Civil Security Department for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Civil Security Department was issued to the Accounting Officer on 29 June 2020 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 15 September 2020. This report is submitted to 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 prepared in accordance with the State Account Circular, No. 271/2019 dated 03 December 2019, give a true and fair view of the financial position of the Civil Security Department as at 31 December 2019, 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 and Accounting Officer for the Financial Statements

The 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 Civil Security 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 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 Civil Security 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 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 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, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (1) (d) and Section 38 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 by the Civil Security Department.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
a) 163 vehicles belonging to the Civil Security Department had not been assessed and brought to accounts by the end of the year under review.	Action should be taken to assess and account all the vehicles.	It has been informed that action will be taken in due course to assess and account the other vehicles.
b) The assets such as, computer accessories, electrical fittings, and communication equipment, had been brought to accounts as office equipment without being separately identified.	Assets should be correctly classified and reported.	It has been informed that action was being taken to report separately.
c) As for the basis on reporting accounts of the Department, the value of long-term cultivations being maintained under the projects of the Force, had not been reported in the financial statements.	Action should be taken to report in the financial statements.	It has been informed that further instructions will be sought thereby taking action in due course to include in the books as the ownership of lands had not belonged to the Department.

2. Financial Review

2.1 Management of Expenditure

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer ----- -----
(a) Due to failure in properly forecasting when the budget estimate had been prepared for the year 2019, provision totalling Rs. 21.50 million had been transferred for 07 Objects in 03 instances in terms of Financial Regulation 66.	Estimates should be prepared as accurate as possible.	It has been informed that requirement of provision had been fulfilled through the transfer of received provision under Financial Regulation 66.
(b) As for the provision made for 04 Items of Expenditure, there were savings ranging from 11.6 per cent to 65.8 per cent.	Forecasting on estimates, and management of expenditure should be done as accurate as possible.	It has been informed that the said savings had been attributable to the lack of imprests received.

2.2 Incurring Liabilities and Commitments

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No any sum whatsoever had been settled as at 31 May 2020 out of the value of liabilities amounting to Rs. 1.83 million with respect to 04 Objects for the year 2019. As for 07 Objects, less than 50 per cent of the value of liabilities had been settled.	Liabilities relating to the preceding years should be settled immediately.	It has been informed that payments had not been made as no bills had been presented for payment.

2.3 Utilization of Provision Granted by other Ministries and Departments

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>As for the miscellaneous programmes and projects scheduled to be implemented, the progress on the activities, elimination of aquatic plants in rural reservoirs – Ampara district, fuel ration for the construction of electric fence and supervision, “<i>Rata WenuwenEkataSitimu</i>” – Monaragala district programme & Mulativu district programme, and <i>Suvasiripaya</i> landscaping programme, remained 3.5 per cent, 77 per cent, 67 per cent, 61 per cent, and 58 per cent respectively as at 31 December 2019.</p>	<p>Financial performance and physical performance should be maintained in synonymity with each other.</p>	<p>It has been informed that this situation occurred as imprests sufficient for making payments had not been granted by the Department of Treasury Operations.</p>

2.4 Balances in the Advance Account

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>According to the reconciliation statement, receivables totaling Rs. 13.77 million remained due as at 31 December 2019 from 430 officers who had vacated their posts. Of that, a sum of Rs. 5.29 million had continued to exist over periods of 1-2 years. Recovery of outstanding loans showed poor progress.</p>	<p>Action should be taken in accordance with provisions stated in Paragraph 4 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.</p>	<p>It has been informed that action will be taken in due course to recover the outstanding loan balances.</p>

3. Operating Review

3.1 Planning

Audit Observation	Recommendation	Comment of the Accounting Officer
Approval of the Urban Development Authority had not so far been obtained for the plan of the Head Office building of the Department constructed in Molpe.	Constructions should be continued by obtaining the relevant approvals.	It has been informed that action is being taken to obtain approval of the Urban Development Authority.

3.2 Activities Contrary to the Main Tasks

Audit Observation	Recommendation	Comment of the Accounting Officer
Projects of miscellaneous nature had been implemented and maintained by 22 corps and 05 training schools by utilizing the physical resources, human resources and internal funds belonging to the Civil Security Department. However, the Department had not identified such projects under their vision, mission and functions.	The Department should take measures to identify their vision, mission, and functions so as to be in line with requirements and functions of the present day.	It has been informed that , after the end of the war situation in the country, agricultural, livestock and miscellaneous projects had been commenced by the corps and training schools under the approval of the Treasury and Ministry of Defense with a view to deploying the home guards in productive activities.

3.3 Procurements

Audit Observation	Recommendation	Comment of the Accounting Officer
For the purchases of 2,577 green colored camouflaged caps, 5,111 pairs of sports shoes, 36,104 pillow covers, 36,104 bed sheets, and 604 mosquito nets made in excess of the requirements in the year 2019, sums of Rs. 0.75 million, Rs. 15.77 million, Rs. 9.96 million, Rs. 849.82 million and Rs. 1.36 million had respectively been overspent.	Requirements should be correctly identified thereby incurring expenses economically and efficiently.	It has been informed that buffer stocks were needed in view of special occasions.

3.4 Assets Management

Audit Observation	Recommendation	Comment of the Accounting Officer
According to Section 3.2.2 of the Public Finance Circular, No. 05/2016 dated 31 March 2016, the Board of Survey relating to the preceding year should be completed before the 15 th day of the ensuing year. However, of the 34 Boards of Survey appointed by the Civil Security Department for the financial year of 2019, only 31 Boards of Survey had completed their activities as at 30 April 2020.	The Board of Survey for the preceding year should be physically completed prior to March 15 of each year in accordance with Circulars.	It has been informed that the Boards of Survey could not be completed due to unfavorable situation in the country, but expected to be completed prior to 31 July 2020.

3.5 Losses and Damages

Audit Observation	Recommendation	Comment of the Accounting Officer
It had been recommended by the Board of Inquiry on 03 July 2018 that the loss sustained due to shortage of 782,326 bricks relating to the brick producing project implemented by the corps in Mahaoya, be recovered from the officers responsible. However, action has not been taken so far to recover the loss.	Action should be taken immediately to recover the loss.	It has been informed that action is being taken to recover the loss in due course.

4. Human Resource Management

Audit Observation	Recommendation	Comment of the Accounting Officer
Five, 39, 48, and 4265 vacancies existed in the senior, tertiary, secondary and primary grades respectively as at 31 December 2019. A sum totaling Rs. 16,002.55 million had been spent by the Civil Security Department on personnel emoluments for the year under review, and as such, the annual expenditure per person amounted to Rs. 0.44 million.	The approved cadre should either be revised in a timely manner, or recruitments should be made appropriately.	Not commented.