

## Head 130 Ministry of Public Services, Provincial Councils and Local Government

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### 1. Financial Statements

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#### 1.1 Opinion

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The audit of the financial statements of the Ministry of Public Services, Provincial Councils and Local Government for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 was issued to the Chief Accounting Officer on 11 May 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 16 June 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to 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, the financial statements give a true and fair view of the financial position of the Ministry of Public Services, Provincial Councils and Local Government as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Opinion

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. 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 for the Financial Statements**

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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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements.

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

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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 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.

- An understanding of internal control relevant to the audit was obtained in order to design 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 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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**

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I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are in consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

## 2. Financial Review

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### 2.1 Revenue Management

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(a) Even though the rental income from all government buildings, circuit bungalows/ resorts/ commercial buildings/ warehouses and other buildings should be consisted under the Revenue Code of Government Buildings and Houses that belonging to the Ministry, only the house rent charged from the salary had been credited to this Revenue Code. However, it was revealed at the audit test check carried out on 5 departments that the rent of circuit bungalows/ resorts, rent of canteen, rent of auditorium etc. had been credited to Other Revenue Codes. As a result, since the actual values of revenue from Government Buildings and Houses rent and arrears</p>	<p>Agee with the observation. It was observed that the revenue has been credited to the revenue categories related to Government Buildings and Houses as per the monthly revenue summaries sent by the relevant institutions and all the revenue related to the above mentioned revenue categories are credited to the Revenue Code by all the institutions except the Department of Wildlife Conservation. According to the request made for the instructions from the Department of Fiscal Policy regarding this situation, the Department had informed to the Department of Wildlife Conservation to send a detailed report and actions will be taken in accordance with the instructions of the Department of Fiscal Policy.</p>	<p>Not only the Department of Wildlife Conservation, as the other institutions does not credit the Revenue which should be entered into the Revenue Code of Government Buildings and Houses, the actions should be taken to credit the revenue to this Revenue Code.</p>

income were not indicated from revenue account, it was not revealed that the follow up actions had been carried out in respect of his revenue as the Revenue Collection Accounting Officer.

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| <p>(b) The Ministry had not maintained a database enabling to identify the rental value charged for Buildings under the Revenue Head.</p> | <p>Agree with the observation. As the Revenue Accounting Officer on the Revenue Code 20.02.01.01, it is practically impossible to maintain a database that includes all the institutions which collect the government buildings and house rent income. However, this Ministry has taken initial steps to develop software that can provide information on Government Buildings and House rent with the Database and actions are being taken to include all revenue earning buildings that belong to government into the database as soon as possible.</p> | <p>Actions should be taken to collect the Building revenue accurately after preparation of a database.</p> |
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| (c) | Revenue should be accurately forecast in accordance with Paragraph 03 of the Fiscal Policy Circular No.01/2015 dated 20 July 2015. Nevertheless, an increase of Rs.64,574,426 was observed in between the Revised Estimate and the collection of the net income for the year under review.  | Agree with the observation. Due to the delay in the passing of the Appropriation Act of 2020 by Parliament, the Revenue Estimates could not be revised, as the inability to aware of the approval for the Initial Estimate, the revenue has been collected in excess by 5.87 per cent   | Revenue should be forecast accurately in accordance with the Circulars.                    |
| (d) | The total arrears of revenue as at 01 January 2020 was Rs.252,088,986 and a sum of Rs.85,859,486 had been added as arrears during the year under review. The arrears of revenue in the year under review had been increased by a sum of Rs.39,107,705 as compared to the preceding year. Further, the recoveries from the arrears of revenue during the year under review was only Rs.30,947,381. The following observations are made in this regard. | Agree with the observation. Non-receipt of rent from commercial buildings (canteens, warehouses) as agreed due to the Covid-19 epidemic was mainly caused to the increase in arrears for the year under review and the relevant Heads of the Institutions and Secretaries to the Line Ministries have been informed to take immediate actions to recover the arrears revenue. | Immediate actions should be taken to recover the arrears of revenue of the previous years. |
| (i) | Although the sum of Rs.9,305,100 that had not recovered from the Department of Wildlife   | Agree with the observation. The Department of Wildlife Conservation has informed that it had decided to work directly   | The arrears rent should be recovered promptly.   |

Conservation was the rental income due from the canteen run by the Wildlife Trust Fund, the Wildlife Trust Fund had been liquidated by 31 December 2020.

with the Wildlife Trust Fund to recover the arrears rent and the Secretary to the Line Ministry of the Department of Wildlife Conservation had been informed by the letter dated on 09 March 2021 to recover the arrears rent promptly.

(ii) The buildings owned by the Department of Pension was leased out to 4 Government Institutions on a rental basis and the amount to be recovered from the year 2009 to 2011 was Rs.33,465,869.

Agree with the observation. Requests have been made to obtain the approval of Treasury to write off the total arrears which was unable to recover, from the books and the Secretaries to the Line Ministries had been informed to act in accordance with the instructions given by the Department of Public Finance.

Arrangements should be made to follow up and complete the relevant work expeditiously.

(iii) Legal actions had been taken to recover the outstanding balance of Rs.70,862,646 as at 31 December 2019 from the Food Commissioner's Department. In spite of that, a balance of Rs.45,984,311 was in arrears during the year under review.

Agree with the observation. It has been informed that the legal actions would be taken to recover the balance of Rs.70,862,646 that existing before 31 December 2019. Non- receipt of rent income due to Covid 19 epidemic and breach of agreement had caused to be the relevant arrears as Rs.45,984,311 for the year under review.

The arrears of the previous years should be recovered and actions should be taken to minimize the new additions to the arrears of revenue.

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| (iv) | The arrears rent of Department of Textiles as at 31 December 2019 was Rs.17,647,250 and the arrears rent for the current year was Rs.532,000. This arrears had occurred due to non- payment of rental by the tenants as per the agreement.   | Agree with the observation. The Department of Textiles had informed that it would work in coordination with the Attorney General's Department to take legal action regarding the arrears of rent and actions will be taken to recover arrears in 2021.  | Expedite the recovery of arrears by carrying out frequent follow up checks regarding the arrears. |
| (v)  | The arrears revenue balance of the Government House which had been rented out to the Chronic Kidney Prevention and Research Secretariat from 2015 to 2020. was Rs.14,798,387 .   | Agree with the observation. The Ministry of Health had been reminded constantly regarding the rent receivable for the Government House No.CD 85 rented out to the Chronic Kidney Prevention and Research Secretariat and the Ministry of Health has been informed by the letter dated 16.03.2021 to pay the amount expeditiously.                   | Expedite the recovery of arrears by carrying out frequent follow up checks regarding arrears.     |
| (vi) | The arrears income of Government Bungalows of the Ministry was Rs.73,975,601 consisted with Rs.36,042,000 receivable from the year 2012 for two bungalows allocated to the Land Reform Commission. Out of this only a sum of Rs.1,694,344 had been recovered during the year under review. | Out of Rs.36,042,000 arrears rent from C81 and C82 bungalows which were reserved for the Land Reform Commission, the arrears of Rs.13,614,000 computed on the basis of the assessed reports sent us, as with effect from the past were agreed to be paid expeditiously and actions will be taken to recover the balance of Rs.22,428,000 as soon as | Arrears of bungalow rent should be recovered promptly.  |



possible. Other arrears are expected to be recovered soon.

## 2.2 Management of Expenditure

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 The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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<b>(a)</b> The total provision of Rs.1,800,000 that was allocated for 10 capital expenditure objects had been entirely saved.	Agree with the observation. The Expenditure Estimates were prepared as per the requirements and due to the closure of offices on the impact of Covid 19 epidemic in the year 2020 resulted in a saving of provisions as the expected expenditure was not occurred and it is informed that the necessary actions will be taken in future to utilize the full allocations made for each Expenditure Objects under Expenditure Head of the Ministry.	Provisions should be utilized efficiently.
<b>(b)</b> The total net provision relating to 44 expenditure objects was Rs.9,655,210,000 and the total expenditure on those expenditure objects at the	Agree with the observation Although 60,000 graduate trainees were planned to be recruited, there was a saving of provisions as expected expenditure had not occurred on	Estimates should be prepared in accordance with F.R.50.

end of the year under review was Rs.8,050,986,785. Although it was planned to recruit 60,000 graduate trainees in this regard, as a result of recruiting only 45,000 during the year and expenditure was not incurred as planned the total saving was Rs.1,604,223,214 and these savings had ranged from 15 per cent to 98 per cent.

the recruitments of 45,000 trainees during the year due to the Covid 19 epidemic. It is informed that the remaining recruitments are being done in the year 2021.

### 2.3 Entered into Liabilities and Commitment

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 The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Although the liabilities and commitments should be stated in Note to the Accounts as per the State Accounts Circular No.255/2017 dated 27 April 2017, 83 liability items entered into in terms of Financial Regulation 14(1) to be stated under	Agree with the observation. It is informed that, in addition to the liabilities entered into for goods and services, all other commitments and liabilities that had been entered in accordance with the standards of preparation of accrual basis accounts were stated in the Statement of Liabilities.	Commitments and Liabilities should be included in the prescribed Notes as per the Financial Regulation and Circulars.

Note (iii) of Statement of Commitment and Liabilities amounting to Rs.14,832,776 had been shown in the Statement of Commitment Note (iv).

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| <p>(b) It had been entered in liabilities amounting Rs.710,174 in excess of the net allocation in contrary to the provisions of Financial Regulation 94(1)</p> | <p>Agree with the observation. As the vouchers submitted after 31 December 2020 had to be paid later, it had been entered into liabilities in excess of the net allocation in contrary to the provisions of F.R. 94 and it is informed you that the necessary actions will be taken to prevent such situations in future.</p> | <p>It should not be entered into liabilities exceeding the provisions of F.R. 94(1).</p> |
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## 2.4 Certifications to be made by the Chief Accounting Officer

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The Chief Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No.19 of 2018. However, it had not been so done.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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<p>The Chief Accounting Officer should ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems,</p>	<p>Comments have not been given.</p>	<p>Action should be taken in terms of Provision in Section 38 of the National Audit Act No. 19 of 2018.</p>

and accordingly make any alternations as required for such systems to be effectively carried out, such reviews should be carried out in writing and a copy therefore should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out.

**2.5 Non- compliance with Laws, Rules and Regulations**

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

<b>Reference to Laws, Rules and Regulations</b>	<b>Observation -----</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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<b>(a)</b> Establishments Code of the Democratic Socialist Republic of Sri Lanka	Although the most appropriate officer could be appointed to	It is informed you that the promotion to Grade I is currently	The most suitable person should be appointed to cover

cover the duties, 68 officers of Grade III had been given appointment to cover the duties of Grade 1 as per the information given for the audit. being done. If there is still a vacancy in the relevant post due to the absence of suitable officers, it should appoint a lower grade officer to Acting/ Perform duties and the approval of the Public Service Commission should be obtained and extended every year. the duties and vacancies should be filled by giving promotions immediately.

(ii) Section 7.2 of Chapter XIX Although penalty should have been levied on officers who stay in government houses exceeding the lease period, no such penalty had been levied on three such officers. Agree with the observation. Actions are being taken to levy penalties on all officers who stay beyond the lease period and it is informed that the necessary actions are being taken to recover the penalty from 06 officers by now. Penalty should be charged as per the provisions of the Establishment Codes.

(b) Financial Regulations 891 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka Register of Security Deposits had not been maintained. It is informed you that arrangements are being made to maintain a Register of Security Deposits. Register of Security Deposits should be maintained of the officers who have to keep security deposits including the information of

(c)	Public Administration and Management Circular No.05/2008 dated on 06 February 2008	Citizen/ Client Charter had not been prepared by the Ministry in accordance with the Citizens' Charter.	It had been informed on 26.01.2021 to take action to display the Citizen/ Client Charter relevant to the Section before 25 February 2021, and it is informed that the necessary actions are being taken to complete the relevant work by carrying out supervisions in this regard.	Citizen/ Client Charter should be prepared in terms of the Circular.
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## 2.6 Issuance and Settlement of Advances

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<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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A debt balance of Rs.995,768 receivable from 09 officers who had left the service as at 31 December of the year under review and a sum of Rs.372,184 receivable from three officers who had been released on a secondment basis had not been charged.	Agree with the observation. A portion out of the debt balances of Rs.104,976 has been recovered and it had been informed that the balance would be settled as soon as possible. The Office of Presidential Secretariat has been informed to recover a loan balance of Rs.109,244 from the	Prompt actions should be taken to recover the arrears debt balances and actions should be taken to minimize new additions to the arrears debt balance. A program should be introduced to inform the Accounts

The period of those receivable balances was in between 2 to 4 years and for more than 5 years.

guarantor. Also, arrangements are being made to make aware of the officers who had been released on secondment basis to recover the total debt amount from those officers and it is informed that actions will be taken to settle the loan balances before releasing on a secondment basis in future.

Division and obtain the confirmation regarding the recovery of debt balances at the time of release officers on a secondment basis.

### 3. Operating Review

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#### 3.1 Foreign Aid Projects

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##### **Audit Observation**

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Even though it had been allocated Foreign Grant of Rs.5,300,000 under the Expenditure Object 2509(13) from the Annual Estimates to the National Language Equality Advancement Project (NLEAP- Canadian) and although a sum of Rs.1,350,000 had been allocated from the local funds under the Expenditure Object 2509(17) for this purpose, the total amount had stated as savings.

##### **Comments of the Chief Accounting Officer**

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Agree with the observation. The NLEAP-Canadian Project is a project related to the National Language Division. This NLEAP-Canadian Project had been started during the period when National Language Division was under another Ministry before merged with this Ministry and it was observed that it had been carried out without taking into accounts. Although allocations have been made under the Head No. 130 for this, the donor country had made direct donations to the NLEAP-

##### **Recommendation**

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Direct grants should be accurately estimated and the direct grants should be shown in the Financial Statement under the correct procedures.

However, according to the information collected by audit, a sum of Canadian Dollar 1,991,672 or Rs.285,914,474 (2020.12.31- CAD 1 = Rs.143.555) were received directly to this Project during the year under review and it was observed that those receipts had not been accounted for due to unavailability of those receipts through the Treasury.

Canadian Project Office in Sri Lanka and therefore it had not been accounted for by the Treasury. It is informed that the Ministry and the General Treasury are currently making arrangements together to accounts for accurately in this regard.

### 3.2 Assets Management

#### Audit Observation

The activities for acquisition or settlement of lands of Circuit Bungalows belonging to the Ministry at Mahiyanganaya, Polonnaruwa, Mihintale, Mullativu, Jaffna, Kataragama and Monaragala had not been completed by the end of the year under review.

#### Comments of the Chief Accounting Officer

As necessary steps are being taken to assess the lands where the Circuit Bungalows are located in relevant to acquisition of these lands, actions are being taken to inform the District Valuers of the Districts where the circuit bungalows are located to expedite this work. It is informed that the necessary actions will be taken to expedite the relevant activities.

#### Recommendation

Acquisition of lands where the Circuit Bungalows located should be done immediately.



### 3.3 Losses and Damages

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) Despite a period for more than two years had elapsed in respect of 23A Summit House which had caught fire, the preliminary report and the final report had not been submitted in accordance with the F.R.104(3) and 104(4).	A Board of Inquiry has been appointed on 23.01.2020. Although the Board of Inquiry has been informed on several times to submit the report relating to that inquiry, it has been informed again in letter dated on 30.03.2021 to take necessary actions to submit the relevant report expeditiously as the submission of the report is delayed. It is informed that further actions are expected to be taken after receipt of this inquiry report.	Actions should be taken to obtain the final report in terms of Section 104(4) due to more than one year has passed from the appointment of the Board of Inquiry and it should be the responsibility of the Board of Inquiry to submit that report.
(b) A vehicle that has met with an accident on 17 March 2019 had been handed over for the repairs at a cost of Rs.2,700,000 after 7 months, that was on 30 October 2019. However, the repairs had not been completed until 31 December 2020 and	Agree with the observation. It had been informed to N.P. Motor Garage on 02.04.2019 to provide estimates for the repair of damages related to the accident that occurred on 17 March 2019 and it had to inform to L.R Motors on 07.08.2019 due to that	Repairs of vehicles in accidents should be done without any delay.

the vehicle had not been handed over to the Ministry.

company did not submit the estimates. However, the vehicle was handed over to Liyanage Motors on 30.10.2019 with the concurrence of both parties as the National Insurance Trust Fund did not agree with the estimate submitted by that Company. It was inquired from the relevant company regarding the delay in repairs and it is informed that they had replied that the repairs would take time as the damage caused by the accident was huge and the company had to stop work due to the prevailing Covid 19 epidemic and the difficulties in procuring spare parts as the reasons.

### 3.4 Management Weaknesses

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 The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) An officer attached to the Ministry of Health who had appointed to the Grade III of	Agree with the observation. Mr. M.B.L Rahuman, who was appointed to Grade II Class II of	A most suitable person should be appointed to cover the

the Administrative Service in the year 2003, had appointed to cover the duties of a Grade I post in the year 2008. This Officer had been promoted to Grade I of the Sri Lanka Administrative Service in the year 2013 and appointed to the post of Director General (Administration) II of the Ministry of Health, Nutrition and Indigenous Medicine from April 2018. Accordingly, this officer has been working in the Ministry of Health, Nutrition and Indigenous Medicine without being transferred for more than 17 years from the date of his first appointment date.

the Sri Lanka Administrative Service on 01.09.2003, has been attached to the Ministry of Health, Nutrition and Uva Wellassa Development with effect from 01.09.2004. The post of Deputy Director General (Investigation and Flying Squad) of that Ministry became vacant in 2007 and Mr. M.B.L. Rahuman, Assistant Secretary was appointed to cover the duties of that Grade I post with the covering approval of the Public Service Commission.

duties in terms of the Section 13.5 of Chapter II of the Establishments Code.

**(b)** The situation regarding the receipt of an electricity bill of Rs.228,976 for the period of vacant of 8A House from 02 November 2007 to 20 July 2010 had not been resolved yet.

It has been informed to the Ceylon Electricity Board on 07.11.2017 to re-examine this calculated amount for a period of vacant and submit an accurate report, and it is informed you that a letter of reminder will be sent as the relevant report has not been submitted to the Ministry so far.

The relevant issue should be resolved expeditiously.

#### 4. Human Resource Management

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) Although there were 173 vacancies as at 31 December of the year under review, 2 senior level posts out of that had been in private to bearer. Accordingly the necessary actions had not been taken to fill 171 vacancies.	Activities related to attachment of the officers who are qualified through promotions to fill the vacancies and the activities relating the recruitment are being done by the relevant Service Divisions.	Actions should be taken to fill the number of vacancies or revise the approved cadre.
(b) The excess number of Management Assistants was 24 and action had not been taken to approve that number of posts.	Posts are to be approved as per the relevant Cabinet Decision to grant the government appointments to the officers attached from the Presidential Secretariat.	Actions should be taken to approve the excess number of posts.