

Head 189 – Ministry of Public Security

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ministry of Public Security for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Ministry of Public Security was issued to the Chief Accounting Officer on 08 June 2022. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Ministry was issued on 06 July 2022 to the Chief Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, which should be read in conjunction with provisions of Section 10 of the National Audit Act, No. 19 of 2018.

The financial statements give a true and fair view of the financial position of the Ministry of Public Security as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for 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 Responsibility of the Chief Accounting Officer and the Accounting Officer on the Financial Statements

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 Section 16 (1) of the National Audit Act, No. 19 of 2018, the Ministry of Public Security 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.

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 of Public Security 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 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 judgement and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Section 6 (1) (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements are consistent with that of the preceding year.
- (b) Recommendation made by me on the financial statements related to the preceding year had been implemented.

2. **Financial Review**

2.1 **Expenditure Management**

The following observations are made.

| Audit Observation ----- | Comment of the Chief Accounting Officer ----- | Recommendation ----- |
|---|--|--|
| a) After utilization of Rs. 769,216,980 from the total net provision of Rs. 2,866,003,000 made for 33 Objects, a sum of Rs. 2,096,786,020 had been saved. The savings of those Objects had ranged from 23 per cent to 100 per cent. | The matters such as limitation of the officers' attendance due to Covid 19 epidemic, failure to implement the development and other projects as planned and the lack of Rs. 344 million to settle the bills in had been reported as the reasons for the above savings. | Provisions should be utilized with maximum capacity. |
| b) Provisions for all the Objects in the Project Nos.04 and 05 had been made only through the supplementary estimates. Provision of Rs. 19,379,000 made for 15 of those 43 Objects had been totally saved. The savings of total provision of Rs. 104,075,000 made for remaining 28 Objects amounted to Rs. 72,353,151 and the savings had ranged from 23 per cent to 99 per cent. | The Ministry of Community Police Service had been established on 03.05.2021 and due to failure to fill the approved cadre to the Ministry, lack of permanent premises, lack of vehicles owned by the Ministry at the beginning and failure to carry out activities as planned in the face of Covid 19 epidemic, provisions had been saved. | -Do- |

2.2 Issuance and Settling of Advances

The following observations are made.

| Audit Observation | Comment of the Chief Accounting Officer | Recommendation |
|--|--|--|
| ----- | ----- | ----- |
| a) In terms of reconciliation statement furnished to audit, the balance that remained outstanding from 29 officers totaled Rs. 1,454,620. It included a loan balance of Rs. 233,187 as old as 17 years contained in the loan balance totalling Rs. 275,827 receivable from the interdicted officers and there was a loan balance of Rs. 160,805 of 18 years old in the balance totaling Rs. 260,148 due from the officers who vacated the service. | A sum of Rs. 417,838 has been recovered as at 31.05.2022 and arrangements are being made to recover the remaining balance. | Adequate steps should be taken to recover the outstanding loan balances. |
| b) A sum of Rs. 4,917,900 that had not so far been recovered from the advance paid to the Special Task Force Married Quarters construction project at Kalapaluwawa in the year 2007 further remained receivable. | Legal action is being taken. | -Do- |

2.3 Operating Bank Accounts

| Audit Observation | Comment of the Chief Accounting Officer | Recommendation |
|--|---|---|
| ----- | ----- | ----- |
| According to the bank reconciliation statement presented as at 31 December of the year under review, there were unidentified receipts of Rs.4,103,052 and 06 cheques worth Rs.48,142 which had not been taken action in accordance with Financial Regulations 396. | Action is being taken to correctly identify and account for the deposits and the F.R.396 is being followed with regard to the unrealized cheques. | Action should be taken in accordance with F.R.396 (d) |

3. Operating Review

3.1 Failure to achieve the expected output level

The following observations are made.

| Audit Observation | Comment of the Chief Accounting Officer | Recommendation |
|--|--|--|
| a) In terms of the Cabinet decision No. 403/1610738/703 /033 dated 11 May 2016, Cabinet approval had been received to purchase necessary weaponry, armored vehicles, logistic vehicles, communication devices and other equipment to establish a combat brigade of the Special Task Force to discharge duties of the United Nations Peace Keeping Mission in Mali state. This project had been initiated with the objective of earning foreign exchange, developing skills, gaining international experience, upgrading living standard and motivating the officers by deploying them in peace keeping missions. Three hundred and twenty officers had been trained in the year 2016. Although Rs. 1,205,477,623 had been spent for this project as at 31 December 2021, the objective of joining the peace mission duties had not been achieved even by the end of the year under review. | Commitments worth Rs. 771.69 million had been incurred as at 31.12.2021 to import remaining vehicles and necessary equipment for this project and all these vehicles and equipment are due to be supplied immediately. Steps have been take to inform the United Nations Organization to refer the delegations for the next examination due to be conducted by the representatives of the that organization. | Action should be taken to achieve expected objectives without delay. |
| b) It had been planned to establish adequate and strong communication network under 4 stages during the period 2017-2020 to successfully discharge the duties assigned to the Special Task Force. A sum of Rs. 159,388,294 had been spent for the equipment supplied for this project and Rs. 55,327,314 had been spent as the goods clearance taxes. The communication network | Measures are being taken to complete the work expeditiously. | Action should be taken to establish the relevant systems as planned. |

under the first stage had not been successfully completed by December 2021 and there was a shortage of 894 units of another 06 items of communication equipment other than the devices to be received under the China credit assistant for the second, third and fourth stages. These 04 stages had not been entirely completed even by the end of 2021 and accordingly, the Special Task Force was unable to establish the strong communication network.

3.2 Assets Management

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

In terms of Paragraph 11 of the State Finance Circular No. 01/2020 dated 28 August 2020 and Financial Regulation 756, the annual board of survey should be conducted and the report thereof should be furnished to the Auditor General before 15 March of the next financial year. Nevertheless, the board of survey report for the year under review had not been so furnished even by May 2022. The goods disposal activities of the Special Task Force for the year 2020 had not been completed.

The approval has been received for the board of assessment relating to the disposal of scrap items of the Special Task Force and further steps are being taken.

Action should be taken in accordance with the State Finance Circular No. 01/2020 and F.R.756.

4. Good Governance

4.1 Internal Audit

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

As the provisions in Section 40 of the National Audit Act No.19 of 2018 had not been followed, an internal audit had not been carried out during the year under review.

Although a request was made for an officer once the post of Internal Auditor was approved on 10.06.2021, the Internal Audit Division was not properly functioned as an officer was not so appointed.

Action should be taken in accordance with the provisions.

4.2 Audit and Management Committee

| Audit Observation | Comment of the Chief Accounting Officer | Recommendation |
|---|--|---|
| ----- | ----- | ----- |
| As the provisions in Section 41 of the National Audit Act No.19 of 2018 had not been followed, Audit and Management Committee meetings had not been conducted during the year under review. | As the post of Internal Auditor of the Ministry had fallen vacant, Audit and Management Committee meetings of the Ministry had not been conducted. | Audit and Management Committee meetings of the Ministry should be conducted in terms of the provisions. |

5. Human Resource Management

The following observations are made.

| Audit Observation | Comment of the Chief Accounting Officer | Recommendation |
|--|--|---|
| ----- | ----- | ----- |
| a) Twenty nine per cent of the approved cadre was vacant. | Requests have been made on various occasion to fill the vacancies. | Action should be taken to fill vacancies in exigency of the service. |
| b) The number of vacancies of the post of Police Constable/ Police Constable Driver of the Special Task Force was 2,504 although its approved cadre was 7,576. The percentage is 33 per cent. | Due to inadequacy of the provisions and non-receipt of additional provisions, recruitments have to be limited. | -Do- |
| c) Although the approved cadre of the Woman Police Constable of the Special Task Force was 163, there were 47 vacancies. The percentage is 29 per cent. | -Do- | -Do- |
| d) A Human Resource Development Plan for the year under review had not been prepared based on the format appeared in the Annexure 02 of the Public Administration Circular No.02/2018 dated 24 January 2018. | Action is being taken to prepare a Human Resource Development Plan in the future. | A Human Resource Development Plan should be prepared in terms of the circulars. |