

Head 320–Civil Security Department

1. Financial Statements

1.1 Qualified Opinion

Head 320- The audit of the financial statement of the Civil Security Department for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 24 May 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 14 June 2023 in terms of Section 11(2) of the National Audit Act, No. 19 of 2018. This report will be tabled in 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, 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 Civil Security Department as at 31 December 2022, 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

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 the Chief Accounting Officer and the 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:

- 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 Department'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 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 Requirement

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

- a) The financial statements are consistent with the preceding year,
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

Reference to the paragraph	Audit Observation	Recommendation
2.3(a)(iv)	According to Financial Regulations 880 and 891, 65 officers related to 06 executive positions and 03 secondary positions who are required to pledge but did not do.	2.3(a)(iii)
2.7	In the year 2016, Rs. 584,200 was paid to a bill for the purchase of construction materials including cement, stone and sand from a private company in the area to modernize the main internal road system, which is 16 feet wide and 903 feet long, at the Kataragama police headquarters, The relevant construction materials have not yet been received at the Kataragama police headquarters, and the road has not been repaired.	
3.7	Apart from the labor cost, the approval of the local government was not obtained before the construction work of the rest of the official resort building of the Kataragama force headquarters at a cost of Rs.11.13 million, and after obtaining the approval, the building plan was revised on several occasions without approval. As planned Rs. 2 million building materials had to be spent government money instead of being supplied locally, and the procurement of construction materials was not submitted to public competition as per government procurement guidelines. Further, the necessary documents related to the construction were not properly updated and filed. Due to using a part of the old foundation without the advice and supervision of an engineer and not getting the necessary instructions and guidelines regarding bearing the weight of the building, during the construction, several brick walls that were tied at a height of 4 feet burst, and had to be remedied at additional expense. This was the basis for the delay in the completion of the construction. Also, the wood used for the doors and windows was of poor quality and several leaks were observed in the bathrooms.	

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Income Receipts

Audit observation	Comments by the Accounting Officer	Recommendation
The department collects considerable income from the sources of agricultural, animals and others, music and dance, security services, construction and maintenance services, and in the year under review, the total income from those sources was Rs. 1,565 million in revenue had been collected. In the year under review, the Department of Public Financial Policy had not inquired to get a separate income head to account for these incomes earned annually.	A draft Cabinet Memorandum has been submitted to the Ministry of Defence, for obtaining a revenue code for the Department.	The department should arrange to get a separate revenue head.

(b) Property and Equipment

The following deficiencies were discovered during the accounting of property, plant and equipment.

Audit observation	Comments by the Accounting Officer	Recommendation
i) The values of the 404 buildings constructed by the department in 119,581 square feet of the 299 plots of land where acquisition was not completed were not assessed and accounted for.	That the necessary documents for the expropriation activities have been submitted to the institutions that own the plots of land that can be expropriated.	Documenting and accounting of related assets.
ii) In the ACA 6 form included in the financial statements, 30 cases were observed where vehicle values were included in 2 cases with the same vehicle number, and accordingly the double calculated vehicle value was Rs. 53 million.	That the inventory of the department has been correctly identified and instructions have been given to maintain the fixed asset register in a timely manner and to correct the accounts accordingly.	Proper maintenance of fixed assets register.

iii) 64 vehicles used by the department were not assessed and accounted for.	That the necessary measures have been taken.	To be properly assessed and accounted for.
iv) Out of the 20 vehicles sold by the department in the year under review, 6 vehicles that were included in the financial statements had not been removed from the financial statements. Furthermore, the department had not taken steps to account for both the receipts and sales of the remaining 14 vehicles.	That these vehicles were disposed of in the latter half of 2022 and will be properly entered in the final accounts of 2023.	Transactions should be properly accounted for.
v) In the year 2022, 11 machines related to the production of organic fertilizers, 06 number of 5000 liter water tanks, 07 other machines used for various purposes, a digital scale and a grease pump received by the department from the Land Reform Commission were not included in the non-financial asset statement of the year under review.	That the 31 plots of land that have been taken over and the value of the buildings there have been forwarded to the Valuation Department to obtain the required valuation values.	To be properly assessed and accounted for.
vi) The land size of 11.0716 hectares related to the 31 plots of land acquired by the Department and the buildings located in those lands were not assessed and documented at the end of the year under review, and the declaration of non-financial assets submitted with the financial statements was not included.	As at 31 December 2022, number of 31 out of the 555 offices used by the Civil Defense Department were formally taken over. It was found that 299 plots of land can be formally acquired from the remaining plots, and letters have been submitted to the institutions to which the plots belong.	Actions should be taken to take over the regular rights as soon as possible.

2. Financial review

2.1 Revenue Management

Audit observation	Comments by the Accounting Officer	Recommendation
The department was supposed to collect the security and other services provided to other public and private institutions by 31 December 2022, but it had failed to collect the arrears amounting to Rs.334 million by 24 March 2023.	That the department has already recovered a considerable amount of arrears and is working to recover the rest of the arrears as soon as possible.	The relevant arrears should be recovered promptly.

2.2 Incurring of liabilities and commitments

Audit observation	Comments by the Accounting Officer	Recommendation
Disclosed in the financial statements was Rs. 112.28 million worth of obligations and liabilities were not settled at the end of March 2023.	That the bills could not be settled due to non-receipt of funds from the treasury to settle the bills.	Prompt action should be taken to settlement of debts.

2.3 Non-Compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of laws, rules and regulations observed during sample audits are analyzed below.

	Audit Observation	Comments by the Accounting Officer	Recommendation
	Reference to the Laws, Rules and Regulation	Non Compliance	
a)	Code of Establishment of the Democratic Socialist Republic of Sri Lanka		
	1.3 of Chapter xxviii	2569 male and female soldiers of the department have been assigned for various duties to Temples/Archaeological sites in various parts of the island for a long time, and they were paid an amount of Rs. 1,294.78 million as salary in the year 2022 without formal monitoring of the arrivals and departures of them.	That the concerned troops are working under the supervision of the commanding officer of the force and that the salary will be paid on the certificate of the commanding officer.
b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
i)	Financial Regulation 104(3) (4)	A cab belonging to the Mihintalea Force Headquarters was mechanically damaged on 14 December 2021. It is estimated that an amount of Rs.1.06 million will be spent	To act according to the relevant Financial Regulations.
			Check-in and check-out must be done correctly as per the Establishment Code.
			That internal measures have been taken to obtain the reports within the time frame in the future as prescribed in Financial

		to repair the damage, and an initial report regarding the damage was not issued within 07 days, and complete reports were not submitted even by 31 March 2023.	Regulation.	
ii)	Financial Regulations 371(2) (b) and 371(5)	In the year under review, the department paid the sum of Rs. 2.17 million to 15 officials on 37 occasions between 12 and 207 days in advance, has been settled with a delay. Further, an advance should not be paid again before settling the advance received by an officer, but contrary, to this requirement department had given 1.12 million rupees advance to 6 officers in 19 cases in the year 2022.	That instructions have been given to all directors and all deputy directors to avoid this situation.	To act according to the relevant monetary regulations.
iii)	880 and 891 of the Financial Regulations	58 officials related to 06 executive positions and 03 secondary positions who were required to keep security deposits but the department did not keep.	That all the present officers have been instructed to keep security deposit.	Comply with applicable financial regulations.

3. Operational review

3.1 Projects abandonment without completing

Audit observation	Comments by the Accounting Officer	Recommendation
The sewing project of the Anuradhapura Rambewa Brigade, which aims to finish sewing the uniforms of the department's troops, had been running for a period of 06 years since 03 April 2016 at the ground floor of the garment factory		

building under construction. The following points are observed in this regard.

a) Due to non-availability of necessary raw materials, the work was temporarily stopped for about 08 months from February 2022 to the date of audit, 27 September 2022.	Due to obstacles in the procurement of uniform fabrics, the production activities of the garment factory had to be restricted for a period of 08 months, and those reasons were beyond our control.	To procure the necessary raw materials for the production activities of the garment factory in a timely manner.
b) In this sewing center, 54 Machines, 06 Air Conditioners, 13 fans, 164,202 units of raw materials and 1247 units of spare parts and accessories remained idle for about 08 months. It is observed that various industrial problems may arise during their re-use as these remain idle.	That the Air Conditioners and Fans are serviced and cleaned twice a month and that raw materials are expected to be utilized within this year.	Assets should not be kept idle and should be used efficiently.

3.2 Procurement

The following observations are made.

Audit observation	Comments by the Accounting Officer	Recommendation
a) Although a detailed procurement plan should be prepared for the procurement activities for the next coming year as per Government Procurement Guideline 4.2.1 (c) but the procurement plan prepared by the Department of Civil Defense for the year 2022 at an estimated cost of Rs.854 million did not specify the number of units of goods or services to be procured.	That preparing a procurement plan for 3 years is a difficult task in practice as the amount of provision cannot be predicted.	To be planned as per procurement guidelines.

<p>b) 01 laser pointers worth Rs.1.8 million and purchasing 60000 water bottles at a cost of Rs.1.07 million, Contracts were signed and purchases were made without obtaining a performance bond to protect procurement stability in case of performance failure.</p>	<p>According to paragraph number 1.8 of Internal Circular Finance 01/2022 dated 01.01.2022, it has been informed that performance security should be taken only for purchases worth more than 02 million rupees. Also, according to Chapter 5.4.10 'a', the procurement entity has not obtained a performance guarantee based on the market conditions and commercial practice of the relevant product.</p>	<p>To follow procurement guidelines.</p>
<p>c) During the year under review, during the purchase of 540 kg of Acetamiprid insecticide for the Kondachchiya cashew project at a cost of Rs.5.91 million, the Technical Evaluation Committee from a subject expert and at least one member having adequate knowledge of the procurement procedure as per paragraph 2.8.1 (b) of the procurement guidelines. It was not confirmed during the audit that the Technical Evaluation Committee that participated in this matter met these requirements, although it should be constituted.</p>	<p>Due to severe restrictions on the importation of insecticides and the fact that the cashew project was prone to Helofeltes disease at that time, the quantity was purchased to control the disease and to control the spread of the disease.</p>	<p>To follow procurement guidelines.</p>

3.3 Asset Management

Audit observation	Comments by the Accounting Officer	Recommendation
<p>a) In the year 2018 without labor cost under an estimated cost of Rs.15.37 million, it</p>	<p>Appointed a committee on 20.02.2023 to take a decision regarding the referred audit</p>	<p>Construction work should be completed as per plan.</p>

<p>was planned to construct a 115'x38' two-storied Garment Factory in Anuradhapura Rambewa Corps, but the related construction work had failed to be completed by the date of the audit, 27 September 2022.</p>	<p>observations. After receiving the report of the said committee, further work will be done regarding the construction of this building.</p>	
<p>b) Out of the 555 plots that the department has been using in various parts of the island for a long time, by 31 December 2022, only 11.0716 hectares of land related to 31 plots had been taken over, but the amount of the remaining 524 plots on 31 March 2023, the expropriation had not yet been completed at the date of audit.</p>	<p>It was found that 299 plots of land can be formally expropriated, and letters have been submitted to the institutions to which the plots belong.</p>	<p>Actions should be taken to take over the regular rights as soon as possible.</p>
<p>c) 16 vehicles belonging to various ministries and departments such as Defender, 03 Jeeps, a van, a Three-wheeler, 05 Motorcycles, 02 Tractors and 03 Tractor-Tailors have been used by the department for a long time, but no action had been taken to take over the rights.</p>	<p>That further work has been carried out for the transfer.</p>	<p>Actions should be taken to take over the legal right</p>

3.4 Losses and Damages

The following observations are made.

Audit observation	Comments by the Accounting Officer	Recommendation
<p>a) The losses had not been assessed and documented even on 27 March 2023 regarding the destruction of</p>	<p>Boards have been appointed on 05.04.2022 regarding the 02 losses that have occurred in Kuragala Corps. That further</p>	<p>Assessing and documenting the losses incurred in respect of the respective damages.</p>

<p>3.5 acres of Papaya Plantation in the year 2020 and the destruction of 3.5 acres of Thalanabatu cultivation in the year 2021 in the Koragala Brigade.</p>	<p>work will be done after receiving the board report.</p>	
<p>b) According to F.R. 110, the damages incurred in the department should be updated in a Register of Losses and Damages, but for the year 2021, two agricultural damages worth Rs.4.94 million were not entered in that damage register even on 27 March 2023.</p>	<p>From 01.01.2022, steps were taken to update the register of damages and losses correctly, and while entering the information related to the damages and losses that occurred in the previous years, the information related to the damages and losses of the Monaragala Force has been omitted. Those omissions were identified on 31.03.2023, and it has been recorded under No. 09 and 10 in the losses and damage register.</p>	<p>Steps should be taken to update the damage and loss register accurately as per the Financial Regulations</p>
<p>c) Due to a shortage of 762,322 Bricks in the Brick projects that were run in 2010 and 2012 in Bakkiella sub-region under the Mahaoya Force, a loss of Rs.5.45 million had occurred. By 10 April 2023, it had been arranged to collect Rs. 2.55 million, but the department had failed to collect the remaining amount of Rs. 2.9 million.</p> <p>d)</p>	<p>That all charges have been ordered to continue.</p>	<p>Deficiency should be charged promptly.</p>

3.5 Management Weaknesses

Audit observation	Comments by the Accounting Officer	Recommendation
<p>a) Due from 31 deceased officers Rs. 3.36 million loans were not recovered, and in which Rs. 2.1 million, more than a year old loan balances from 195 officers who</p>	<p>The gratuity of 31 deceased officers has been submitted to the Pension Department for recovery. After receiving the money, the accounts will be adjusted and a</p>	<p>The relevant money should be recovered promptly.</p>

left the service, Rs. there was a debt balance Rs. 14.37 million, out of which the debt balance of more than 04 years was Rs. 5.26 million and the debt balance of more than 03 years was Rs. 4.12 million were among those and the loan balances receivable from 200 Officers by the beginning of year 2002 total amounting to Rs.29.95 million had not been recovered till the end of the year under review.

committee will check the correctness of the loan balances and verify the authenticity and the possibility of recovery. That the facts are being investigated regarding the possibility of recovery after confirming the reality.

b) In relation to 20 items of various types of equipment and materials that had been purchased without properly identifying the need for the Greenhouse Chilli project of Kabithigollewa Corps, numbers of 1,045 types of items worth of Rs.4.47 million had been stored without any use in the relevant force from the year 2022 to the date of audit, that is for almost a year.

This project is currently being implemented in 10 other forces in addition to Kabithigollawa Force, and the said items have been arranged to be released as per the requirement of those forces.

To be used promptly.

4. Human Resource Management

The following observations are made

Audit observation				Comments by the Accounting Officer	Recommendation
a) There were 6,349 vacancies for other ranks and Male and female soldiers in the Civil Defense Department.				Did not comment	To fill up the vacancies or to review the approved staff as match with the actual carder.
Particulars	Approved	Actual	Number of vacancies		
Senior Level	23	18	05		
Territory Level	84	71	13		
Secondary level	126	73	53		

Primary level(permanent)	39,960	33,682	6,278
Other(casual/Temary/contract)	-	07	-
Total	<u>40,193</u>	<u>33,851</u>	<u>6,349</u>

b) Out of the total staff of 33,851 in the department, only 1,330 had participated in the training programs in the year under review.

Due to the epidemic situation and the fuel crisis in the country during that time, it was not possible to implement the planned training programs, and currently (2023) the training department will maintain the training programs as planned.

To increase the performance of the department through employee training