

Head 227- Department for Registration of Persons

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 227, Department for Registration of Persons 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 containing my comments and observations on the financial statements of the Department for Registration of Persons was issued to the Accounting Officer on 01 June 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department for Registration of Persons was issued to the Accounting Officer on 23 August 2023 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 prepared give a true and fair view of the financial position of the Department for Registration of Persons 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 appear in Paragraph 1.6 of this report.

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 evidences I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

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 Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the 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

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department 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

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 exercised 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.
- 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 its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- 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.

The 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

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

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

1.6 Comments of the Financial Statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

The following deficiency was observed in accounting for recurrent expenditure pertaining to the financial statements.

Audit Observation	Comment of the Accounting Officer	Recommendation
Meals and entertainment expenses of Rs. 66,090 incurred on the training courses conducted in the year 2022 had been accounted for under the Object No. 227-01-01-1203, meals and uniforms.	It had been informed that according to the training requirement of the Department for the year 2022, the training plan related to that year was prepared. Although the total estimate for that purpose was Rs. 1,500,000, only provisions of Rs. 1,000,000 had been made for the staff training for that year. The training programmes were organized within the related period in keeping with the requirement of the trainings to be given to the officer of the Department during the year and in order to manage those expenses within the relevant provision limit, the meals and entertainment expenses related to certain programmes(expenses on foods and beverages) were accounted for under the Object of meals and uniforms.	Action should be taken to account for the expenses under the correct Object.

(b) Property, Plant and Equipment

The following Deficiencies were observed in accounting for Property, Plant and Equipment.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Although the value of office equipment and computer accessories as at 31 December 2021 was Rs. 3,253,224 and Rs. 98,204,083, respectively, it had been stated as Rs.	It had been informed that this error caused owing to the defects of the system had contributed to this difference in the opening balance.	The reasons for the differences of balances should be disclosed in the financial statements.

3,442,724 and
Rs. 98,014,583,
respectively, in the
statement of non-
financial assets (ACA 6)
as at 01 January 2022.

- (ii) A total of 131 UPSs, 05 Networking switch with Rack Mount kits and 38 QR Readers worth Rs. 2,736,660 issued by the Department to the branch offices had been stated under the disposal in the Statement of Non-financial Assets (ACA 6).
- This Department issues assets to Divisional Secretariats through issuing orders and thereafter, the relevant assets are included in the inventory of the respective Divisional Secretariat. As per the Letter No. DRP/ST/01/07 dated 22.01.2020, the Divisional Secretaries have been educated as to how the records on the relevant assets should be maintained. Accordingly, it had been informed that there was no further necessity to maintain those assets in the inventory of the Department and further, those assets were removed as disposals of assets according to the facilities available in the system by that time.
- Only the value of the assets actually disposed of should be indicated under the disposal.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
Although transfers under the Financial Regulation 66 had been approved for 03 Objects for the year 2022, there were savings ranging from 19 per cent to 79 per cent of the provisions thus transferred by the end of the year under review.	It had been stated that although there were savings of Rs. 3,488,317 from the provisions transferred under F.R.66 for the Object 1201, commitments had been incurred for Rs. 2,714,000 during the year 2022. In the preparation of estimates for the year 2022, a sum of Rs. 913,478 had been estimated under the Object 1303, whereas provisions of Rs. 200,000 had been received for this year. Due to increase in the electricity and water charges according to a government decision, estimation for the Object 1403	Action should be taken to transfer provisions after conducting a proper study.

was made in relation to the charge that were in effective at the time of estimation of expenditure, whereas provisions were saved due to the subsequent power outage.

2.2 Incurring Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although Rs. 56,492,100 payable to a private institute in respect of procurement of cards carried out in the year 2020 had been stated in the statement of commitments and Liabilities as at 31 December 2021, action had not been taken to settle it even by 28 February 2023.	In making payments for one million of printed polycarbonate cards purchased from a private company, the relevant payment was suspended according to the instructions of then Defence Secretary, and as a result, a liability of Rs. 56,492,100 incurred during the year 2020. Accordingly, it had been stated that not been received to pay the aforementioned amount of liability.	Liabilities and commitments for the related period should be settled.
(b) Although savings of one capital Object was Rs. 20,411,831 during the year under review, the value of total liabilities amounted to Rs. 58,725,713. Accordingly, the value of the liability in excess of the provision amounted to Rs. 38,313,882.	It had been informed that in making payments for one million of printed polycarbonate cards purchased under the Cabinet approval in 2019, the relevant payment was suspended according to the instructions of then Defence Secretary. Accordingly, an amount of Rs. 56,492,100 out of the total sum had not been paid. Approval for the payment has not been received until now from the year 2020 and requests were also made from the Ministry of Public Security to which the Department belongs for the time being. Since that approval is to be received in the year 2023, the remaining provisions for the year 2022 were utilized efficiently.	Action should be taken to ensure not to incur liabilities in excess of liabilities.

2.3 Non- compliance with laws, rules, regulations.

Instances of non-compliance with laws, rules, and regulations observed during the course of audit test check are as follows.

Reference to laws, rules, and regulations	Observation		Comment of the Accounting Officer	Recommendation
	Value	Non- compliance		
(i) Financial regulations of the Democratic Socialist Republic of Sri Lanka				
F.R. 571(1)	1,195,600	No action had been taken to prepare the half yearly lapsed deposit list as required by Financial Regulations.	It had been stated that action would be taken to prepare a register of lapsed deposits from the year 2023.	A register of lapsed deposits should be prepared in terms of Financial Regulations.
F.R. 565(5)	-	No action had been taken to prepare the general deposit summaries in the Form General 71 as required by Financial Regulations.	It had been stated that action has been taken to submit the summaries as in Form General 71 from the year 2023.	Action should be taken to submit general deposit summaries according to Financial Regulations.
(ii) Paragraph 03 of the Internal Circular No. DRP/IT/04/25 dated 23 October 2019 of the Department	-	There were instances where the applications for identity cards, which were certified by the Grama Niladharee and approved by the Staff Officer of the Divisional Secretariat, had been retained in the Identity Cards Division without including in the computer system for	Divisional Secretariats had informed that there was a practical difficulty to include the applications received from the Grama Niladharees at the same time of their receipt due to the reasons such as controlling the spread of Covid 19 according to the situation prevailing in the country at that time, fuel crisis,	Action should be taken in accordance with circular provisions.

more than a period of one month, contrary to the circular provisions.

reporting to the service at 03 days per week, calling for Development Officers for service according to shifts, prevailing power outage of 4 to 5 hours in the day time.

(iii) Paragraph 11 - of the Internal Circular No. DRP/OP/01/New.App./43 dated 23 February 2016 of the Department.

In terms of circular, the applications submitted to the certifying officer should be handed over to the Identity Card Division within 07 days. However, there were instances of delays ranging from 10 days to 35 days in receiving applications to the Identity Card Division, and delays from 13 days to 51 days to hand over the money to the Divisional Secretariat by the GramaNiladharees.

It was informed that the GramaNiladharees had been informed from time to time by the Development Officers employed in the Divisional Secretariats to hand over the applications and money they accept to the Divisional Secretariat within a period of less than a week, and the Divisional Secretaries had been further educated by the letter dated 07.09.2022.

Action should be taken in terms of provisions in circulars.

3. Operating Review

3.1 Failure to Achieve the Expected Level of Output

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
The progress of the key indicator, “ The Number of Applications Received and the National Identity Cards Issued Under the Annual Normal Service” from among the three Key Performance Indicators (KPIs) of the Department was 68 per cent.	It had been stated that due to the shortage of printed cards, measures were taken to issue information confirmation letters temporary instead of the National Identity Card of the school applicants who were born after 31.01.2005 and applied for the first time for the National Identity Card, and those applications remained in the Print Waiting stage as the Identity Cards were not printed in respect of those applications. Accordingly, the number of Identity Cards issued during the year 2022 had comparatively decreased.	Action should be taken to ensure the achievement of performance indicators.

3.2 Assets Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Ten computers worth Rs.881,500 that were not recommended by the Board of survey, 2021 had been stated under the disposal in the statement of non-financial assets (ACA 6) of the year under review.	It had been stated that although they were disposed of by the survey of stores, 2018, those assets had not been eliminated by the CIGAS computer programme during the relevant year and that correction was made in the year 2022.	Action should be taken to include only the disposals carried out during the year under review under the disposal in the Statement of Non-financial Assets (ACA 6).
(b) Out of the assets provided by the Electronic National Identity Card Project to the Department for Registration of Persons from the year 2012 until now, a certain amount had not been included in the CIGAS programme and the Department had not followed a formal methodology to distinguish the assets awarded by the project from among the assets so included. Although the Department had distributed the assets given by the project to the branch offices established within the Divisional Secretariats, no formal registers had been maintained including the details of those assets.	As the assets provided from the e-nic Project or other department or a ministry become the assets belong to the Department once they were received, they have been included in the CIGAS computer system under the available facilities of the system. Facilities had been made available to include details of assets in the CIGAS system from the year 2015 and the subsequent purchasing and receipts have been included in the register of assets in the CIGAS system. There is no methodology in the CIGAS system to identify the assets received from the e-nic project and it had been informed that there was a formal register including the details of those assets maintained by the Stores Divisions based on the inventory registers.	Action should be taken to ensure the documentation of the assets purchased from the project provisions so that they can be identified separately.

- (c) According to the information provided by the Project Division to the audit, although items /assets worth Rs. 114,964,961 have been provided to the regional offices through the Department of Registration of Persons under the Electronic Identity Cards project from its inception until now, as per the information provided by the Department of Registration of Persons, the value of the items was Rs. 111,616,046. Accordingly, there was a shortage of items worth Rs. 3,348,915.
- Items/ assets worth Rs. 114,964,961 have been provided from the beginning of the Electronic National Identity Card Project up to present and those items/assets have been used by the Divisional Secretariats and the Department. Accordingly, it has been informed that items/ assets worth Rs. 111,616,046 have been used by the Divisional Secretariats, while items/articles worth Rs. 3,348,915 have been used in the Department.
- Assets provided by projects should be documented so that they can be identified separately.

3.3 Uneconomic Transactions

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Corresponding to the revision of postal charges effective from 15 August 2022 by the Extraordinary Gazette No. 2292/13 dated 09 August 2022, the internal circular No. DRP/OP/01/DS/03 dated 18 August 2022 had been issued increasing the charges applicable to postal registration from Rs.45 to Rs.110. Total of 95,531 envelopes affixed with stamps worth Rs.4,298,895 that remained unused at the time of issuing the circular had been sent to the head office by the</p>	<p>After being revised the postal charges and introduced new charges by the Extraordinary Gazette No. 2292/13 dated 09 August 2022, a request was made to the Post Master General by the Letter No. DRP/OP/01/GEN/24 dated 30.05.2022 seeking a redress for the postal charges applicable to the National Identity Card. Accordingly, by the Letter No. DOP/HQ(OP)LSN02/Price – Riv/20/2022 dated 23.08. 2022 of the Post Master General, a period of relief was given up to 31.10.2022. Accordingly, steps were taken to use the maximum number of old stamped covers with a stamp worth Rs.45. Similarly, several procurements related to the purchase of pre-printed cards for printing National Identity Cards were rejected due to the</p>	<p>Action should be taken to bring the stamped covers to the head office and to use them effectively.</p>

record room from matters beyond the purview of the September to December Department and as such, it was not 2022. If those stamped possible to maintain sufficient stocks covers had been received of pre-printed cards for printing on time without delay, National Identity Cards. Accordingly, they could have used. since the issuance of identity cards was limited for the applications received by the Department, all the envelopes affixed with the stamps and received by the Department could not be used.

3.4 Management Weaknesses

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The number of identity cards printed during the year under review was 628,973 of which 22,497 cards or 4 per cent had errors. Although those identity cards with errors were in both PVC and Polycarbonate, the Department failed to submit the total number or erroneous cards separately according to the aforementioned two types of cards. Details required for the computation of the cost relating to the identity cards with errors were not furnished to the audit.	Records on the cards (DU/SPOIL) that have been cancelled on various grounds in the printing process are obtained by the InforID system and based on the physical quantity of cards available in the Printing Division. In obtaining records on the physical stock of cards, it had been stated that the number of PC cards and the number of PVC cards were not separately computed up to 30.06.2022 and the Printing Division was informed that it should maintained separate statistics on PC cards and PVC cards in the preparation of physical records for DU/SPOIL cards.	Action should be taken to identify the erroneous identity cards separately according to the types and include in registers.

- (b) The electricity bills expenditure of Rs. 5,961,205 separately identified for 335 branch offices of the Department had not been paid under the Departmental Object No. 227-01-01-1403 and it had been paid by the provisions of the e-nic project.
- The responsibility of the development of necessary infrastructure facilities for the renovation and establishment of Regional Identity Card Units of the Department of Registration of Persons had been entrusted with the Electronic National Identity Card Project and after the supply of necessary facilities of those offices, the project office had to incur all the maintenance expenditure including the electricity bills, until they were handed over to the Department. It had been informed that this project did not pay the routine maintenance expenses including electricity cost of those offices after 31.12.2022.
- Measures should be taken to approve provisions under the vote of the Department.
- (c) A loan balance of Rs. 45,413 due from an officer who had been interdicted as at 31 December 2022 was not recovered even by the end of the year under review.
- It had been informed that a sum of Rs.35,000 was paid by the spouse of the interdicted officer on 09.01.2023 and a notification was sent to his overseas address informing that the further remaining arrears be settled.
- Necessary steps should be taken to recover the loan balances.
- (d) Names of 05 officers whose names had been stated in the debtors and creditors register, 2022 of the Department, were not included in the name register of the officers who were transferred during the year 2022 from the Department.
- It had been informed that names 05 officers were included in the name register of the transferred officers.
- The name register of the transferred officers should be maintained in an updated manner.

4. Human Resource Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The approved cadre of the Department for Registration of Persons stood at 1,475 as at 31 December 2022 and the actual cadre was 1,337. Accordingly, the number of vacancies was 138.	It had been stated that the information about the approved cadre, actual cadre and the vacancies of this department by 31 December 2022 as mentioned in the report was accurate.	Adequate measures should be taken to fill existing vacancies.
(b) The entire approved cadre for 06 posts including the Legal Officer, Translator (Sinhala-Tamil), and Technical Officer had fallen vacant.	It had been informed that a request letter was sent to the “ Cabinet Appointed Committee for Reviewing Recruitment Process of the Public Service” in order to obtain approval to make recruitments to the posts of Legal Officer and Document Assistant (Departmental) and the Director General of Combined Services was informed through the letters with regard to filling the vacancy of the post of Translator (Sinhala-Tamil). It had been proposed by the Letter of the Director General of National Budget that it was appropriate to consider the requirement to make recruitments to the post of Technical Officer (Civil) and Technical Officer (Electrical and Electronic) later due to the limitations imposed for providing additional provisions in the face of Covid 19 epidemic and it had been stated that as the new recruitments had been suspended according to the Budget Circular No.03/2021, new recruitment was not made to the post of bilingual clerk.	Adequate measures should be taken to fill existing vacancies.