

Head - 010 Commission to Investigate Allegations of Bribery or Corruption

1. Financial Statements

1.1 Qualified Opinion

Head 010 -The audit of the financial statements of the Commission to Investigate Allegations of Bribery or Corruption for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 Commission was issued to the Chief Accounting Officer on 21 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Commission was issued to the Chief Accounting Officer on 23 August 2024 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 accompanying financial statements give a true and fair view of the financial position of the Commission to Investigate Allegations of Bribery or Corruption as at 31 December 2023 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 on the matters described 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 evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Chief 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 Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Commission 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 Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Commission 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 exercise professional judgment and maintain professional skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief 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 were consistent with the preceding year;
- (b) The recommendations made by me regarding the financial statements of the preceding year has been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Revenue Collected on Behalf of Other Revenue Heads

Audit Observation	Comments of Chief Accounting Officer	Recommendation
The revenue amounting to Rs.43,200 collected by the Commission on behalf of other revenue heads was not shown under the revenue collected on behalf of other revenue heads in the Cash Flow Statement and it was stated as provisions for withdrawal equity and sale of physical assets. Therefore, in that value, the revenue collected on behalf of other revenue heads in less and the provision for withdrawal of rights and sale of physical assets in excess were stated.	By considering the proceeds from the auction amounting to Rs.98,080 as revenue generated from the sale of physical assets as well as investment activities, it was stated under the revenue from the sale of physical assets. Further, there was no impact on the cash flow.	Revenue collected on behalf of other revenue heads should be stated correctly in the Cash Flow Statement.

(b) Non-income Receipts

Audit Observation	Comments of Chief Accounting Officer	Recommendation
Although the commission's advance collections were Rs.42,010,361, it was understated by Rs.2,227,410 as Rs.39,782,951 under cash flow generated from operating activities in the cash flow statement.	Under advance recovery, the cross notes of Advance B account have not been applied and only cash transaction details have been entered. However, it has no effect on the final balance of the cash flow statement and actions would be taken to include those cross notes in the cash flow statement in future years.	Advance recoveries should be correctly stated in the cash flow statement.

(c) **Capital Expenditure**

Audit Observation	Comments of Chief Accounting Officer	Recommendation
Although capital expenditure should be stated under the cash expenditure for investment activities in the cash flow statement as per financial statement preparation format included in the State Accounts Guideline No. 05/2023 dated 30 November 2023, it was stated as construction or purchase of physical assets and acquisition of in the cash flow statement presented by the Commission, As a result the capital expenditure of Rs.66,676,518 was stated as personnel and operating expenses in the cash flow statement in the year under review by the Commission.	This increase has occurred due to stating expenditure subjects of capital asset rehabilitation and improvement, capacity building, other capital expenditures under personnel salaries and operating expenses. That reduction has occurred due to the inclusion of only expenditure heads of 2102, 2103 under construction or purchase of physical assets and other investments.	According to the financial statements preparation format included in the State Accounts Guideline, capital expenditure should be stated under cash expenditure for investing activities in the cash flow statement.

(d) **Advance Payments**

Audit Observation	Comments of Chief Accounting Officer	Recommendation
Although advance payments of the Commission were Rs.39,170,875, it was understated by Rs.2,219,888 as Rs.36,950,987 under cash flow generated from operating activities in the cash flow statement.	Under Advance Collection, the cross notes of Advance B account have not been applied and only cash transaction information has been entered. However, it has no effect on the final balance of the cash flow statement and action will be taken to include those cross notes in the cash flow statement in future years.	According to State Accounts Guideline, cross note were also included.

2. Financial Review

2.1 Reconciliation Statement on Government Officers' Advance Account

Following observations were made.

Audit Observation	Comments of Chief Accounting Officer	Recommendation
(i) The government officers' advance B account had not been prepared as per State Accounts Guideline Circular No. 03/2023 dated 07 November 2023 of the Department of State Accounts.	The amendments that should be made as per State Accounts Guideline 03/2023 will be done in future when preparing government officers' advance B account.	It should be prepared as per State Accounts Guideline of the Department of State Accounts.
(ii) A loan balance of Rs.172,500 should have been collected from an officer who has not reported for duty since 02 August 2023 even by the date of audit.	Mr. Kosala Manchanayake, who has left the service, has been informed by letters from time to time, but since the payment has not been made yet, letters have been sent to the guarantor's workplace to collect from his guarantor.	Arrangements should be made to recover the loan balance promptly.

2.2 Reconciliation Statement of Advance Account for Use as Bribe in Bribery Raids

Following observations were made.

Audit Observation	Comments of Chief Accounting Officer	Recommendation
(i) After receiving the judgment of the case after the judicial proceedings or after the end of appeals, the case goods related to those files should be removed from inventory books in the balance of the goods of the officer, although many years have passed since the judgment of the case, 04 items of case goods have been remained in the custody of the officer.	Actions are being done.	After receiving the judgment after the judicial proceedings or after the end of the appeals, the case goods related to those files should be removed from the inventory books in the goods balance of the officer.

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| (ii) | Although a cash certificate for currency notes used in raids is issued in the Magistrate's Court without always presenting the money to the court according to Section 30(a)(3) of the Bribery Act, the government's currency case goods amounting to Rs.33,795,085 had been remained in custody of officer as at 31 December 2023, according to the survey report of the year 2023. | It was advised to release money as far as possible based on the concurrence of the court at the Commission meeting held on 22 June 2023 and, it is informed that it would be act accordingly. | It should be acted as per Section 30(a) (3) of Bribery Act. |
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2.3 Expenditure Management

Audit Observation	Comments of Chief Accounting Officer	Recommendation
Due to the non-preparation of expenditure estimates in accordance with the Financial Regulations 50, the balance of provision in 10 recurring expenditure subjects and 02 capital expenditure subjects was Rs.116,261,167 and the savings were prevailed ranging from 25 percent to 100 percent.	Explanations regarding these savings are stated in ACA 2(11) of the 2023 Financial Statement.	Expenditure estimates should be prepared with due regard for economy and efficiency in accordance with Financial Regulation 50.

2.4 Entering into Commitments & Liabilities

Audit Observation	Comments of Chief Accounting Officer	Recommendation
Liabilities related to 03 expenditure subjects with sum of Rs.1,057,391 of the year under review that paid during the months of January and February in 2024 had not been included in the Statement of Commitments entered into liabilities as per Financial Regulations 94(2) and (3)	These payments were for the water, telephone and electricity bills for the month of December 2023 and, it has not been stated in the Statement of Liabilities as those bills were received in January 2023.	It should be complied with financial regulations.

2.5 Non-compliance with Laws, Rules and Regulations

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

Audit Observation Reference to Laws, Rules and Regulations	Non-compliance	Comments of Chief Accounting Officer	Recommendation
(a) Government Procurement Guideline			
(i) Section 4.2.1(c)	The purchase of air conditioners that purchased for Rs.790,395 in the year under review had not been included to the procurement plan.	This purchase could not be included in the procurement plan as the related machine error occurred after the procurement plan was created.	It should be acted in accordance with Government Procurement Guideline.
(ii) Section 4.2.1(e)	The master procurement plan has not been updated in a period not exceeding 06 months.	The relevant officers were instructed to update the procurement plan in the future.	It should be acted in accordance with Government Procurement Guideline.

3. Operational Review

3.1 Planning

Audit Observation	Comments of Chief Accounting Officer	Recommendation
From 01 January 2023 to 31 December 2023, 3431 complaints were received by the Commission, and out of which 2789 complaints were submitted to the Complaints Committee. The number of complaints ordered not to be dealt with due to non-submission of sufficient facts and non-relevance to the Bribery Act was 766 and the number of complaints submitted to other agencies for further action due to non-relevance to the Commission Act was 613. Accordingly, 49 percent of the complaints submitted	The Commission cannot control the number and nature of complaints submitted by the public to the Commission. But the commission is obliged to accept all the complaints received. However, further investigations can only be carried out in relation to complaints related to the Commission Act, so complaints not related to the Act will be referred to the relevant agency according to the nature of the complaint.	Public awareness regarding the Bribery Act should be further developed.

to the Complaints Committee were complaints related to the Commission Act or complaints that did not provide sufficient facts.

3.2 Losses & Damages

Following observations were made.

Audit Observation	Comments of Chief Accounting Officer	Recommendation
(a) It had not been collected or written off in relation to 02 balances of Rs.34,805 more than 10 years and Rs.411,538 less than 5 years in losses and waivers by conducting investigations as per the financial regulations.	Vehicle 19-9522 has been referred to the Secretary to the Treasury for approval to write off the loss from the books and the process of writing off the loss of vehicle WP CAC 7026 is in final stage.	It should be acted in accordance with Financial Regulations
(b) The investigations were carried out regarding the accidents that occurred to 04 vehicles of the Commission, as per Financial Regulation 104(1) after a period of 07 months to 06 years had passed since the vehicle accident took place.	Though there has been a delay in the activities related to the vehicle 301-9385 due to the transfer of transport officials, investigations related to all the other vehicles have been carried out within the normal time frame as per Financial Regulations 104. The relevant officials were instructed to ensure that such delays do not occur.	It should be acted in accordance with Financial Regulations

3.3 Management Deficiencies

Audit Observation	Comments of Chief Accounting Officer	Recommendation
The committee appointed on the disposal of case goods as at 31 January 2006 had recommended that 36 items of case goods related to 10 files were referred to be auctioned and although it has been lapsed 18 years since those recommendations were given, these recommendations had not been implemented until the year under review.	A list of all the cases which have not been handed over till now has been prepared. Kindly inform that a disposal committee has been appointed and necessary activities are being carried out to dispose these goods.	The recommendations of the committee on the disposal of case goods as at 31 January 2006 should be implemented.

4. Human Resource Management

Following observations were made.

Audit Observation	Comments of Chief Accounting Officer	Recommendation
(a) According to the cadre details of the Commission, there were 38 senior level vacancies, 204 tertiary level vacancies, 189 secondary level vacancies and 60 primary level vacancies as of 31 December 2023.	Though these vacancies are available, as the recruitment in the government service has been stopped, the recruitment has not been done. But approval has been obtained from the Department of Management Services to fill up 16 posts of Assistant Director (Legal), 10 posts of Typists and 10 posts of Office Clerks (by multi-tasking officers) and it was informed that other recruitments would be reviewed later. Accordingly, the recruitment of office assistants has been done so far and the interviews for recruitments for the posts of Assistant Director (Legal) have been conducted and the results have been forwarded to the Public Service Commission for approval.	It should be acted to fill vacancies in essential posts which adversely affect performance.
(b) Although the Commission has approved 200 investigation officer posts in 2018, 30 assistant director (legal) officer posts and 50 anti-corruption officer posts in 2019 from the Management Services Department, the Audit could not avoid that the prevalence of vacancies in those posts of 200 posts of investigation officers, 20 posts of assistant director (legal) and 36 posts of anti-	Though these vacancies are available, as the recruitment in the government service has been stopped, the recruitment has not been done. But approval has been obtained from the Department of Management Services to fill up 16 posts of Assistant Director (Legal), 10 posts of Typists and 10 posts of Office Clerks (by multi-tasking officers) and it was	It should be acted to fill vacancies in essential posts which adversely affect performance.

corruption officers respectively was not unfavourably affected to the performance. Of the entity.

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