

## **Head 227 – Department for Registration of Persons**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department for Registration of Persons for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Department for Registration of Persons was issued to the Accounting officer on 26 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The detailed Annual Management Audit Report related to the Department for Registration of Persons was issued to the Accounting Officer on 18 November 2020 as per Section 11 (2) of the Audit Act,. 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 accompanying financial statements prepared in accordance with the State Account Circular No. 271/2019 of 03 October 2019 give a true and fair view of the financial position of the Department for Registration of Persons as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities relating to 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 qualified opinion.

#### **1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements**

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The Accounting Officer and Chief Accounting officer are 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 the Chief Accounting officer and the 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 Sub-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.

As per 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 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 Responsibility 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 the report of the Auditor General 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.

The audit was carried out in accordance with Sri Lanka Auditing Standards exercising professional judgment and professional scepticism 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 the Department's 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 have communicated with the Accounting Officer regarding significant audit findings, significant deficiencies in internal control and other matters identified during the course of audit.

## 1.5. Report on Other Legal Requirements

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

- (a) The financial statements of the Department for Registration of Persons was in compliance with the previous year.
- (b) My recommendations on the financial statements for the previous year had been implemented.

## 1.6 Comments on the Financial Statements

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### 1.6.1 Statement of Financial Position

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Differences aggregating Rs.66,074,739 was observed in 05 non-current assets at commencement of the year under review while reconciling the Register of Computer printed fixed assets with the financial statements.	Action should be taken to enter correct balances of assets in the register.	The report of the register of computer printed fixed assets (BOS REPORT) could only be printed as report of the non-current assets by utilizing the CIGAS programme. All non-current assets of the Department used as at 2019.12.31 had been included in it. There are no facilities in the CIGAS programme to separately obtain the opening balances, purchases during the year and disposals.

## 1.6.2 Reconciliation Statement on Advances to Public Officers Account

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Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>An examination of the Advances to Public Officers Account revealed that a difference of Rs.7,144 existed between the balance of Rs.95,375,184 as per Treasury Computer Printout and the balance of Rs.95,368,040 as per books of the Department as at 01 January 2019.</p>	<p>-----</p> <p>The differences should be identified and rectified accordingly.</p>	<p>-----</p> <p>Action had been taken on the basis of information obtained from the Divisional Secretariats with regard to the year end loan balances of officers of our Department at the offices of the Divisional Secretariats. It is observed that these differences had occurred by the erroneous debit and credit entries made in the Advance B Account of this Department by the Divisional Secretariats during that period. Action will be taken in further to make necessary rectifications by carrying out further examination</p>

### 1.6.3 Non-compliance with Laws, Rules and Regulations

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Observation ----- Reference to Laws, Rules and Regulations -----	Non-Compliance -----	Recommendation -----	Comments of the Accounting Officer -----
Section 2 of the Registration of Persons (Amendment) Act, No. 8 of 2016	A Personal Data Register had not been prepared to register all citizens of Sri Lanka. The soft copies of information obtained for preparation of National Identity Cards alone were available and it was not a data register.	All citizens of Sri Lanka should be registered according to the Act.	Attention had been paid to register all citizens in future. Action is being taken to act according to the policies of the Government.

## 2. Financial Review

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### 2.1 Management of Expenditure

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Provision of Rs. 12,000,000 had been made in the annual estimate of 2019 for recurrent objects. Transfer of provisions amounting to Rs.5,000,000 and Rs.71,000,000 respectively had been made by means of Financial Regulations 66/69 and supplementary provisions and a sum of Rs.3,000,000 of these provision had been saved at end of the year. Shortage of cards had been cited as the course of this. However, this reason could not be accepted	Estimates should be prepared by identifying the necessity.	Action had been taken to purchase one million pre-printed cards according to the decision of the Ministers of Cabinet No. අම/19/2307/114/051-1 of 17.09.2019 and the cards had arrived at the Department since November 2019. As such, printing of identity cards could not be done as expected during August, September, October and November 2019. As a result, there were savings in expenditure on postage under Post and Media Object (1401) and expenditure on printing of identity cards under Pre-printed Cards and the Allied Activities Object (2509)

## 2.2 Incurring of Liabilities and Commitments

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>Commitments should not be made with regard to any work, service or supply if there is no provision in the actual estimates except under circumstances where provision had been made otherwise in terms of Financial Regulation 94(1). However, liabilities had occurred for Rs.4,484,507 exceeding the savings in recurrent expenditure during the year under review.</p>	<p>-----</p> <p>Commitments for liabilities should not occur exceeding the provision, considering the expenditure of the year under review.</p>	<p>-----</p> <p>Electricity and Water -----</p> <p>The liabilities occurred beyond control was due to not obtaining the bills during the due period. Other Expenditure -----</p>
<p>(b) The savings in provisions for capital objects amounted to Rs.2,573,360. Commitments for Rs.136,341,641 had occurred exceeding the savings contravening the State Accounts Circular No. 255/2017 of 27 April 2017.</p>	<p>The savings in provisions taken into consideration for commitments.</p>	<p>-----</p> <p>These liabilities were unavoidable as the bills of the head office and the provincial offices relating to security services and sanitary services are furnished in the ensuing months.</p> <p>Action had been taken to purchase 1 million pre-printed cards as per decision of the Cabinet of Ministers No. ୧୭୧/19/2307/114/051 -1 of 17 September 2019.</p> <p>Accordingly, purchase orders had been forwarded to the supplying institution on 19.09.2019. The institution concerned had supplied 250,000 pre-printed cards to the Department during 2019 and accordingly the payments had been made during 2019.</p>

The remaining cards of 750,000 had been obtained in 2020 and as such commitments had occurred.

### 2.3 Utilization of Provisions Provided by the other Ministries and Departments

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Provision amounting to Rs.500 million had been made for the Electronic Identity Card Project in 2019 by the Ministry. Of this, a sum of Rs.251.83 million had been spent. Accordingly, 50 per cent of the provision for the year amounting to Rs.248 million had been saved.	Action should be taken to fulfill the objectives of the Electronic National Identity Card Project.	The period of the project had ended on 31.10.2019 and as such there was no provision to pay for the VPN connection given to divisional offices and the work for the last quarter had not been executed. Lack of main procurement of finger print machines, purchase of other technical equipment for divisional offices to commence e-NIC activities, lack of extension of time for the project resulting in temporary stoppage and lack of purchase of software to obtain ICAO photo etc, had caused these savings in provision.
(b) There was no physical progress in 16 out of 36 sub functions relating to the Electronic National Identity Card Project during the year under review. Due to the uncertainty in receiving extension of time for the project that prevailed up to 31 December 2019, 11 of those functions could not be fulfilled. As such, it was further observed 08 of those functions had achieved very low physical progress of 10 to 25 percent only.	Activities should be intensified to fulfill the objectives of the Electronic National Identity Card Project	Procurement activities of many functions had been suspended and functions relating to collection of data and electronification of data had been stopped till receipt of the revised project report. The action plan of the project had again been prepared for the year 2019. However, the planned functions and the related procurement activities could not be fulfilled during the short period of 09 months. As a

result, a period of about 1 ½ years or 2 years is required to collect data. Accordingly, 16 functions referred to are unable to be fulfilled.

(c) A provision of Rs.100 million had been made for the Electronic National Identity Card Project during the year under review with the expectation of completing it by the month of December. However, this had not been started as suitable places could not be found out to establish the provincial offices of North Central, Uva and Sabaragamuwa. However, this project which had been planned to be executed from 2017 had not been completed even by December 2019.

Action should be taken to fulfil the objectives of the Electronic National Identity Card Project

The administration division of the Department deals with the activities relating to finding out land and building facilities for constructing these provincial offices. It is still unable to find out land or buildings with facilities to establish the offices concerned. As a result, the planned functions could not be fulfilled.

### 3. Operating Review

#### 3.1 Non- accomplishments of Functions

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The information relating to persons without identity cards within the Kegalle District Secretariat area had been collected in 2018 on the basis of Grama Seva Divisions. According to the information concerned 1097 persons were not in possession of identity cards in 55 Divisions and that continued even by 2019.</p>	<p>Sri Lanka citizens should be made aware of possessing identity cards.</p>	<p>The Department had now implemented various programmes for those persons who had not obtained identify cards.</p>



### 3.2 Losses and Damages

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) An estimate for Rs.68.5 million had been prepared for constructing the Disaster Recovery Data Centre at the Hambanthota Suriyawewa Technology Garden and a sum of Rs.11,776,333 had been paid to the Central Engineering Consultancy Bureau which deals with engineering functions. However, the construction site of the Centre had been shifted to elsewhere. As a result, the Bureau had refunded Rs.9,901,137 on 3 occasions. Action had not been taken recover the balance of Rs.1,875,196 up to the date of audit.	Action should be taken to recover the balance from the institution concerned.	The amount recoverable from the CECB amounted to Rs.11,776,333.75. Of these, Rs.4,000,000 , Rs.4,000,000 and Rs.1,901,137.27 had been refunded to the Project on 05.10.2018 , 16.01.2019 and 29.05.2019 respectively. Accordingly, a sum of Rs.9,901,137.27 had been refunded to the project in this manner. The project had not obtained the tax relief certificate for VAT issued by the Ministry of Finance in this connection. As a result, the CECB had recovered the tax on the normal rate of recovery of tax. As such, the CECB had informed the Project by its letter No.CB/EPC/SP/DOH/DI826/0 17 of 28.05.2019 that there was no possibility of refunding the balance of Rs.1,875,196.48 .
(b) Two (2) per cent to 14 per cent of identity cards under the normal service and 6 per cent to 9 per cent under the one day service had been wasted due to various defects in printing of identity cards during the year 2019. However, a cost of Rs.9,895,402 had been incurred on behalf the 76,608 cards in this regard by the Department.	Care should be taken to minimize various defects while printing	Identity cards are reprinted on many instances due to defects occurring while entering information in Tamil. Lack of officers who could work in both languages Sinhala and Tamil is the main cause. The Department had not received adequate number of officers with required proficiency. As such this problem persists.

### 3.3 Uneconomic Transactions

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Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Expenditure on labour amounting to Rs.87,840 had been incurred on the project before installing the transformer of the Suriyawewa Disaster Recovery Data Centre at the Kurunegala Wewagedara Distress Relief Centre. Meanwhile, supply charges of Rs.5,636,195 had been paid to the Ceylon Electricity Board while paying Rs.187,500 as deposit.</p>	<p>-----</p> <p>Expenditure should be incurred by identifying effective functions</p>	<p>-----</p> <p>A 150 KVA (216A) transformer was required at the Disaster Recovery Data Centre proposed to be constructed in Kurunegala. As such, the Project Director had referred the matter to the Electricity Board, Southern Province on 16.02.2018 to install the Suriyawewa transformer at this Centre, as per estimate of expenditure. According to the reply for this, A sum of Rs.87,840 had been spent as Labour charges while removing the substation as per circular No. 2016/DCC/COM/12 dated 11.07.2016 of the Ceylon Electricity Board. The estimated amount for installation of 150KVA (216A) transformer in Kurunegala, after considering the said deductions had been computed at Rs.2,316,489.80</p>

### 3.4 Management Weaknesses

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The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) One million cards purchased in 2019 by deviating paragraphs (a), (b) of 8.12 of the government procurement procedure had neither been subjected to tests at an independent laboratory nor confirmed for its quality by the operating division before making a payment of Rs.161.09 million.	The quality of cards supplied should be independently checked before making interim, final payments as required by the Government Procurement Procedure.	Reply not furnished
(b) According to the reply of the Commissioner (Operating), proper safety stock level and re-order level had not been maintained for pre-printed cards. Thus it was observed in audit that the Department was lacking better stock control for issue of identity cards which is a national important function.	Action should be taken to obtain cards of high quality by means of competitions	Reply not furnished
(c) Interim identity cards had been introduced till introducing the Electronic Identity Cards. So far, a sum of Rs.360,140,662 had been spent on these interim identity cards due to the delay in introducing Electronic National Identity Cards. The Electronic National Identity card Project commenced in 2011 had not been ended up to the year under review. Extension of time had been granted with the approval of the Cabinet of Ministers on 03 occasions. Similarly, the total expenditure incurred on the Project from 2011 to September 2020 amounted to Rs.2,250,680,000. However, the issue of Electronic National Identity Cards had not been executed up to the date of audit.	National Identity Cards should be introduced quickly. A method should be prepared so as to improve the quality of services rendered to the identity card applicants and to provide them within a short period.	Reply not furnished

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| <p>(d) Fifty applications with defects received at the Department for Registration of Persons from the divisional offices of Kegalle, Ratmalana and Moratuwa through Grama Niladharis for preparation of identity cards under normal service remained for 02 years to 06 months without being attended to</p>                 | <p>Action should be taken to issue identity cards without delay</p>  | <p>Applications to be referred to the Department by the Divisional Offices after examining the documents had been pointed out in the audit report. Weekly instructions had been issued by the Department for such applications. The respective Development Officers had been inquired in this regard. Instructed to send applications to the head office without delay in future.</p> |
| <p>(e) Twenty eight applications of Kegalle, Ratmalana, Dam Street and Moratuwa divisional offices with defective applications had been referred to the legal division of the head office. These applications referred to a period of 31 to 227 days.</p>   | <p>All citizens of Sri Lanka should be made aware of, to furnish correct documents for obtaining identity cards.</p> | <p>The applications referred to in the audit report are applications referred to the legal division. Inquiries had already been commenced regarding these.</p>  |
| <p>(f) Applications for identity cards to be obtained under normal service referred to the head office by the divisional offices at Kegalle, Ratmalana, Dam Street and Moratuwa through the respective Grama Niladharis were observed to be lying for a period ranging 14 to 325 days and there were 2226 such instances.</p> | <p>Identity cards should be issued without delay</p>   | <p>The Development officers had been instructed to minimize delays by bringing awareness among Grama Niladhari in this regard whenever they assemble for duties.</p>  |

**4. Good Governance**  
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**4.1 Rendering Services to the General Public**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of Accounting Officer</b> -----
The procurement of pre-printed cards for confirming the identity of persons by issuing Electronic National Identity Cards had commenced in 2016. The opening balance of cards in 2019 was 173,000. In spite of this, 01 million cards had been purchased and 958,594 cards had been issued while 76,608 cards had been damaged or spoiled. As such, the balance at end of the year was 106,608 where as 383,465 applications were pending issues as at end of the year. Thus it was observed that there was shortage of 276,857 cards as at end of the year.	Adequate purchases should be made forecasting purchase of cards and receipt of applications	According to the information received, identity cards had to be issued to 383,465 persons as at end of the year.

**5 Human Resources Management**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of Accounting Officer</b> -----
The approved cadre of the Department was 1401 and the actual cadre was 1276. Accordingly, there were 125 vacancies. There is no approved cadre in the Department for Graduate Trainees. Fifteen recruitments had been made.	Action should be taken to fill vacancies according to the necessity	Acting appointments had been made for vacancies in posts. Action is being taken to fill certain vacancies in posts.