

## Head 10 - Commission to Investigate Allegations of Bribery or Corruption

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statement of the Commission to Investigate Allegations of Bribery or Corruption 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 Commission to Investigate Allegations of Bribery or Corruption issued to the Chief Accounting Officer on 18 June 2020 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Commission in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 06 July 2020. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 the Paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with State Accounts Circular, No. 271/2019 dated 03 December 2019, give a true and fair view of the financial position of the Commission to Investigate Allegations of Bribery or Corruption at 31 December 2019, and its financial performance and 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, 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 Chief Accounting Officer for the Financial Statements

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The Chief Accounting Officer and the 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 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 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.

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 Commission 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

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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 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:

- 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 Commission'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 communicate with the Chief Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

(a) The financial statements are consistent with the preceding year.

(b) The recommendations made by me relating to the financial statements of the preceding year, had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
Receipts received only in cash had been shown in the advance account under the non-revenue receipts of the year. The sum of Rs. 1,594,158 received through cross entries had not been included therein.	Both the receipts received in cash and through cross entries during the year should be shown under the non-revenue receipts in the advance account.	As the said amount is a receipt relating to the settlement of 010012 loan balances in the advance account, that amount was not shown under the non-revenue receipts in the statement of financial performance. Such receipts will be included in the ensuing years.

1.6.2 Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
A loan balance of Rs. 242,215 had belonged to an officer as at 30 September 2019, and no installments had been recorded since October. The said officer had been released from service with effect from 02 September 2019, but the said loan balance had been shown under	Until the loan balance of the officer released from service is recovered, the amount should be shown under the balances recoverable from officers transferred.	Although she left the service on 02 September 2019 after being appointed as a graduate teacher, she had resigned and chosento be placed in the position of Management Officer.  However, approval of the Public Services Commission has not yet been received, and once the approval is received, she will be placed

the balances receivable from officers in service.

in the position of Management Officer thus taking action to recover the said loan balance. As action was being taken for this officer to be reappointed to this institution, the said loan balance was brought under the balances recoverable from those in service.

1.6.3 Non-commercial Advance Account

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>Although verdicts had been returned with respect to advances totaling Rs. 24,333,805, those advances had not been settled to the Shroff even up to 31 December 2019.</p>	<p>Advances are given for raids on bribes. Once the raids are successful, such advances are retained under the custody of production officer for taking legal action or until the verdicts are returned, and then settled to the Shroff later.</p>	<p>If the accused is found guilty at the first court session, those monies can be settled. It is further examined as to whether there are instances in which cases were concluded.</p>

1.6.4 Balance of the Advance Account

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>Payment of advances totaling Rs. 1,190,411 made through cross entries, had not been brought under main ledger expenses.</p>	<p>The payment of advances debited through cross entries, should be shown under main ledger expenses.</p>	<p>As the said amount is a debit of 010012 to the advance account, it was not shown under main ledger expenses in the statement of financial performance. Such payments will be included in the ensuing years.</p>

1.6.5 Failure to Maintain Registers and Books

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Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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The votes ledger had not been updated in accordance with Financial Regulation 447. Voucher numbers had not been shown in the votes ledger.	A votes ledger should be maintained on Form General 138 in accordance with provisions in Financial Regulation 447.	Voucher numbers are issued at the time of writing cheques with regard to the Cigas programme under a specific sequence. Due to non-availability of those numbers at the time of recording the vouchers in the appropriation ledger, those numbers were not recorded in the appropriation ledger.  Instructions have been issued to record in the votes ledger by using the numbers obtained by the Cigas programme in the future.

1.6.6 Non-compliances with Laws, Rules, and Regulations

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Instances of non-compliances with provisions of Laws, Rules, and Regulations observed during the audit test checks are analyzed below.

Observation	Non-compliance	Recommendation	Comment of the Chief Accounting Officer
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Reference to Laws, Rules, and Regulations	Non-compliance	Recommendation	Comment of the Chief Accounting Officer
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a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
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(i) Financial Regulation 211.	Due to delay in settling electricity bills, a	Financial Regulation 211 should	Due to delay in granting imprests, the said interest

		sum of Rs. 39,660 had been paid as interest.	followed.	had to be paid.
(ii.) Financial Regulation 371 (2).	A sub imprest should be settled immediately after completion of the purpose for which it is granted. However, settlement of ad hoc sub-imprests had been delayed in several instances.	Sub imprests should be settled immediately after completion of the purpose for which it is granted.		The reason for failure in settling the advances granted for reserving locations for investigation duties, immediately after completion of such duties, is that the investigation officers have to carry out another duty soon after completion of the preceding one due to limited number of such officers. Nevertheless, officers have been instructed to settle the advances obtained in the future.
b) Section 3.1 of the Public Finance Circular, No. 05/2016, dated 31 March 2016.	A delay of 09 months had occurred for the production of survey report.	It is necessary to follow Section 3.1 of the Circular, No. 05/2016, dated 31 March 2016.		Instructions have been given to carry out this requirement without delay in the future.

## 2. Financial Review

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### 2.1 Management of Expenditure

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The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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a) A sum of Rs. 2,617,000 out of the provision amounting to Rs. 4,600,000 made on 02 Items of recurrent expenditure, had been transferred under Financial Regulation 66.	The estimate of expenditure should be prepared in terms of Financial Regulation 50.	Expenses did not incur as expected under 10-1-1-1401. Estimates had been made under 10-1-1-1505 for the payment of annual subscription fee of the IBM 12 software. As the software had been provided in the last quarter of the year 2019, the subscription fee had not been paid.
b) A sum of Rs. 1,262,967 had remained out of the provision of Rs. 2,000,000 made on the Object, 10-01-01-1303. That represented 63 per cent of the provision.	Estimates of expenditure should be prepared in terms of Financial Regulation 50.	As it became unnecessary to shift from the office in Jawatta as expected, the necessity to renovate the Shrawasthi office did not arise.
c) A sum of Rs. 121,331,933 had remained out of the provision made on 03 capital Objects. The saving represented 55 per cent – 96 per cent of the provision.	Estimates of expenditure should be prepared in terms of Financial Regulation 50.	As imprests had not been received adequately, and an annual Action Plan had to be prepared to incur expenses under 02 other Objects, the activities had to be postponed.

### 2.2 Unauthorized Working Losses

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Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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Action had not been taken to write off the unauthorized working losses valued at	Action should be taken to write off the working losses under a formal approval.	As the Department of National Budget has not yet made provision under 1701 for writing off, the sum of Rs.

Rs. 11,610 existed in the Bribery Raids Advance Account.

11,610 had existed in the Bribery Raids Advance Account as at 31 December 2019. Action will be taken to write off that balance from the account once provision is received.

### 2.3 Operations of the Bank Accounts

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
There existed 06 expired cheques valued at Rs. 68,305 not presented to the bank for payment despite being issued as at 31 December 2019.	Action should be taken in terms of Financial Regulation 396 (d) on the cheques that exceeded the period of validity.	The relevant institutions have already been informed in writing on those cheques. Action will be taken on them in due course in accordance with the Financial Regulation 396(d)

### 3. Operating Review

#### 3.1 Projects Commenced After being Delayed

The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
a) Contrary to the agreement on the construction of security wall, the commencement of works under the first phase had delayed by 10 months.	Works should be commenced without delay in accordance with the agreement.	The observation is correct. The Department of Buildings is a Government entity, and the procurement process for the construction is handled by that Department. The procurement process has taken 10 months. As the procurement had been done for the second time after completion of the first procurement process, the delay had occurred.
b) A delay of more than 05 months had occurred to sign the agreement relating to	The agreement should be entered into without delay thereby commencing the works.	Due to internal changes in the administration of the Department of Buildings, the works had delayed.



the construction of main security room and commence the constructions.

### 3.2 Procurements

----- Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
a) A specified amount from all the payments to be made to the contractors had not been retained relating to the warranty period in which the defects of constructions should be corrected.	The procuring entity shall retain from each payment due to the contractor a specified amount as retention money until defects are corrected during the period of warranty in terms of Guideline 5.4.6 of the Procurement Guidelines.	The contract monies are retained by the Department of Buildings, and at the end of the defects liability period, the amount so retained, will either be paid to the contractor or credited to the Government revenue by the Department of Buildings.
b) As for the construction of new security wall, the contract value had not been shown in the Agreement. The date of completion of the second phase and the penalties for delay had not been mentioned as well.	According to Guideline 8.9.1 of the Procurement Guidelines, a formal contract agreement should be signed between the two parties.	The estimated value is agreed upon in the Agreement, and as the value thereof could change, that value was not included in the Agreement. As both parties had agreed on the contract value and the contract had been awarded, the value had not been included in the Agreement.
c) A formal contract agreement had not been entered into with respect to the contract for repair and maintenance of the buildings.	According to Guideline 8.9.1 of the Procurement Guidelines, a formal contract agreement should be signed between the two parties.	A formal agreement has been prepared for the Commission. As such, the officers have been instructed to take action in due course based on that agreement.
d) Management fees had been charged on the changes in prices of the estimate for constructing the security room and the uncertainties.	Management fees should not be charged on the changes in prices and uncertainties.	It has been informed that corrective measures be taken thereon.

- e) After carrying out a repair on water leakage at the office of the Director (Investigation), the leakage repeated within a month. The contractor had been informed in that connection, but no action had been taken. A proper supervision is needed on the repairs. Those repairs got delayed due to torrential rains. As such, the payments have been withheld until the work is completed.

#### 4. Human Resource Management

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According to the cadre information presented by the Commission, there existed 248 vacancies in the approved cadre as at 31 December 2019.