

Head 108- Ministry of Postal Services and Muslim Religious Affairs

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Postal Services and Muslim Religious Affairs for the year ended 31 December 2019 comprising the statement of financial position 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 containing my comments and observations on the financial statements of the Ministry of Postal Services and Muslim Religious Affairs was issued to the Chief Accounting Officers on 26 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 25 September 2020 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 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 the provisions in the State Accounts Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Ministry 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

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 Responsibility of the Chief Accounting Officer on the Financial Statements

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 Ministry 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.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry 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:

- 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 Ministry'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, 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 and Regulatory Requirements

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

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements pertaining to the preceding year had been implemented.

1.6 Comments on the Financial Statements

1.6.1 Non-compliance with the Provisions in Circulars on Financial Statements

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>In terms of paragraph 7 (VI) of State Accounts Circular No. 271/2019 dated 03 December 2019, as the balance due to be settled to the Treasury by 31 December 2019 is not equal to the balance stated in the cash book as at that day, an Imprest Adjustment Account should be prepared to reconcile that balance, Nevertheless, the Imprest Adjustment Account so prepared had not been properly adjusted as follows.</p>		
<p>(a) The non-reconciliation of Rs.350,000 with the computer printouts and trial balance had not been stated in the Imprest Adjustment Account.</p>	<p>Non- reconciliation of the trial balance with the Treasury printouts should be stated in the Imprest Adjustment Account.</p>	<p>According to the books of the Ministry and Treasury printouts, the expenditure incurred by other departments was only Rs.109,640.</p>
<p>(b) Although the advance debit and credit balances to be shown in the Imprest Adjustment Account are Rs.1,515 and Rs.1,323,679 respectively it had been stated as Rs.1,934,297 and Rs. 3,781,048 respectively.</p>	<p>The total of advance payments and receipts made in cash and cross entries should be stated in the Imprest Adjustment Account.</p>	<p>Imprest adjustment is generally made by cross-entries in the advance account. Accordingly, imprest adjustment in the advance account was made by crediting Rs.3,781,048 and debiting Rs.1,934,297 respectively in the advance account.</p>

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| <p>(c) Although the balance shown in the Imprest Adjustment Account was Rs. 359,583, the above balance was Rs.1,021,290 according to the Treasury printouts .</p> | <p>The balance of the Imprest Account according to the Treasury printouts should be equal to the balance in the Imprest Account.</p> | <p>According to the Treasury printouts, although the balance of the Imprest Account as at 31 December 2019 had been shown as Rs. 1,021,290, as per the Ministry books, after deducting the sum of Rs. 661,707 settled to the Treasury as at 31.12.2019, an amount of Rs. 359,583 had been shown as the balance of the Imprest Account as at 31 December 2019.</p> |
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1.6.2 Statement of Financial Performance

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
<p>(a) According to the Treasury printouts, advance receipts amounting to Rs. 8,280,485 and payments of Rs. 6,622,352 had been shown in the statement of financial performance as Rs.7,155,662 and Rs. 5,497,529 respectively.</p>	<p>Advance receipts and advance payments should be included in the statement of financial performance according to the Treasury printout.</p>	<p>Taking into account the debited and credited values correctly, the advance receipts and advance payments have been correctly stated in the financial statements as Rs. 7,155,622 and Rs. 5,497,523 respectively.</p>
<p>(b) Contrary to the provisions of States Accounts Circular No. 271/2019 dated 03 December 2019, imprest payments Rs. 761,707 to the Treasury had been stated under the main ledger expenditure of the statement of financial performance</p>	<p>Information should be submitted in accordance with the published circulars.</p>	<p>Agree. it was noted to report information correctly according to the relevant circular in the future.</p>

1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Expenditure of Rs. 1,559,942 incurred on other Heads of Expenditure under cash flows generated from operating activities had been recorded at Rs. 1,035,355.	When calculating the expenditure incurred on other Heads of Expenditure, the total of the values shown under other Expenditure Heads should be taken.	This is not a payment made on in respect of other departments and it is only a cross entry made with the permission of the Department of Pensions to recover the loan balance due to the Ministry from the gratuity applicable to the staff due to dissolving of the staff.
(b) Personal emoluments and operating expenditure of Rs. 106,377,683 as per the consolidated trial balance had been stated as Rs.106,727,683 under the cash flow generated from the operating activities.	Personal emoluments and operating expenditure should be calculated and shown as per the consolidated trial balance	According to the Treasury printouts, personal emoluments and operating expenditure is Rs. 106,727,683.
(c) According to the consolidated trial balance, the recovery and payments of advance in the cash flow statement should be stated as Rs. 6,956,806 and Rs. 6,620,837, whereas it had been shown as Rs.3,374,614 and Rs. 3,563,232 respectively.	Values made by cross entries should also be taken into account when calculating recovery and payments of advances.	Without taking into account cross entries of the advance accounts and considering only the transactions made in cash, recovery of advances and payment of advances of Rs. 3,374,614 and Rs. 3,563,232 respectively have been shown in the cash flow statement.

1.6.4 Certifications to be made by the Chief Accounting Officer

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
In terms of provisions in Section 38 of the National Audit Act No.19 of 2018, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in Ministry 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 and that such review makes in writing and submits a copy thereof to the Auditor General. Nevertheless, statements had not been furnished to audit that such reviews had been made.	Action should be taken in terms of provisions in Section 38 of the National Audit Act No.19 of 2018	Although statements on the changes made to the system and reviews made thereon are not specifically submitted to the audit, copies of the reports of internal audit carried out and a copy of the reports of the Management Audit Committee discussed in this regard will be submitted to the audit. It is informed that formal statements in this regard will be submitted to the Audit in the future in accordance with the provisions of the above Act.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Due to obtaining over-provisions, savings totaling Rs. 905,998 or 36 per cent and 85 per cent of the net provisions were observed after utilizing the allocations.	Financial Regulations 50 should be followed in preparing estimates for the Objects.	The Treasury Circulars had informed that 15 per cent of the capital provisions be withheld without being spent and accordingly, the value of 15 per cent of the capital expenditure was saved in the Objects highlighted in audit inquiry

2.2 Incurring Liabilities and Commitments

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Contrary to the provisions in Paragraph 2 (d) of State Accounts Circular No. 255/2017 dated 27 April 2017, liabilities of Rs. 1,790,929 had been incurred in excess of the provisions during the year under review.	Action should be taken in terms of Paragraph 2 (d) of State Accounts Circular No. 255/2017 dated 27 April 2017 with regard to the liabilities.	Agree. It was noted to ensure the prevention of such shortcomings in the ensuing year.

3. Operating Review

3.1 Planning

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Due to non-preparation of the Action Plan for the year under review aiming at the functions of the Ministry, seven major functions of the Ministry had not been discharged.	The Action Plan should be prepared targeting at the key functions to be implemented by the Ministry.	The Action Plan of the Ministry for the year 2019 was prepared based on the limited allocations made to the Ministry. The matters highlighted in the paragraph were discussed at the meetings and instructions were given on the action to be taken as required.

3.2 Losses and Damages

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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The loss relating to 04 vehicle accidents uncovered by the insurance was Rs. 478,579 and the loss had not been recovered from the persons responsible.	Losses should be recovered from responsible parties.	That action is being taken to recover the loss.

4. Achievement of Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Although the bepost.LK e-Business Development Program had been identified with the aim of introducing local and international markets to small and medium enterprises (SMEs) in parallel with the Poverty Alleviation Programme, it was observed that the targets identified at the beginning of the programme could not be met due to lack of provisions and weaknesses found in the mail network software system.	Sustainable development goals should be achieved by remedying the existing problems.	The programme had not performed at the level it was initially intended to achieve the targets, and due to the slowness of the software system and occasional breakdowns, a sufficient number of beneficiaries could not be involved in this programme. Due to insufficient funding in the relevant year to upgrade the software system as required and to advertise the programme, it has not been possible to implement the programme to meet the relevant targets.