

Head 121 - Ministry of Home Affairs

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Home Affairs for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 Home Affairs was issued to the Chief Accounting Officer on 30 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 31 May 2019 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 give a true and fair view of the Ministry of Home Affairs as at 31 December 2018 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

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 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 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.

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

- 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.
- It is not intended to express an opinion on the effectiveness of internal control of the Ministry to plan appropriate audit procedures in a timely manner.
- Evaluate structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements 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 (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) As there was no need to prepare financial statements for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.

(b) As there was no need for the Ministry of Home Affairs to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been furnished.

1.6 Comments on Financial Statements

1.6.1 Statement on Financial Performance

The following deficiencies were observed in the Statement on Financial Performance furnished to Audit.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(a) Although the Preliminary Income Estimate as per the Annual Estimate was Rs. 190,000,000 , the Preliminary Estimate had been shown as Rs. 183,696,500 in the income statement of the financial statements .	Estimated Budget value should be taken as a Preliminary Estimate in Financial Statements.	Disagree with the observations. Although the value of the prepared Revenue Estimate based on the information provided by the District Secretariat was Rs. 183,696,500 , it had been stated as a total value of Rs. 190,000,000 in the Estimate submitted by the Department of National Budget. It is kindly informed that this estimated value of Rs. 190,000,000 is a value of the Department of Budget.
(b) Out of the outstanding loan balances of the officers who had left the services, deceased, retired, interdicted and other at the end of the year under review, amounted to Rs.	Actions should be taken to recover the loan balances.	These balances are relevant to the four District Secretariats, and it will be informed as soon as the answers are received from them.

3,101,266, the balance over 05 years was Rs. 493,140 .

- (c) The Distress Loans had been given to 03 officers in contrary to the provisions of the Public Administration Circular No. 30/2008 dated 31 December 2008 and the balance outstanding furthermore as at 31 December 2018 was Rs. 877,523.
- Arrangements should be made to take disciplinary actions against the officers who had violated the provisions of the Circular.
- It is kindly informed that the answers will be submitted as soon as the replies received from the three District Secretariats which were not acted in compliance with the provisions of the Circular to grant Distress Loans.

1.6.2 Cash Flow Statement

The following accounting deficiencies were observed in the cash flow statement.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(a) Without bringing the changes in deposit accounts amounted to Rs. 5,719,811 in to the cash flow as cash generated from operating activities, it had been stated under the cash flow generated from financial activities.	Receipts and payments of Deposits should be included in the cash flow generated from the operating activities .	Actions has been taken in accordance with the Circular No. 267 /2018 issued on 21 November 2018 by the Department of State Accounts .
(b) The total of 06 Objects under investment activities for the year under review amounted to Rs. 48,263,064 had been understated .	Arrangements should be made to take in to accounts accurately.	The difference has been made due to only consideration of cash receipts and payments

excluding non- financial transactions make by the cross entries.

- (c) The total of 6 Objects under Arrangements should be operational activities amounted to Rs. 54,236,487 had been understated .
- The difference has been made due to only consideration of cash receipts and payments excluding non- financial transactions make by the cross entries.

1.6.3 Non-maintenance of Documents and Books

It was observed that the certain below mentioned documents were not maintained by the Ministry during the course of the audit test checks.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(a) Register of Security	A Register of Security consisting details of the officers and employees who should keep security had not been maintained.	A Register of Security should be maintained in accordance with the Financial Regulation 891 (1) .
(b) Register of Losses	A Register of Losses had not been maintained in an updated	The Register of Losses should be maintained
		Agreed with the observation. Arrangements have been made in order to security deposits by issuing Circular 07/ 2019 to all the officials of the Ministry.
		Agreed with the observation. Officials have been informed to

manner in accordance with the of in accordance with maintain as per the prescribed prescribed Format in terms of prescribed Format. Format in an updated manner. the Financial Regulations 110 .

1.6.4 Non-compliance with Laws, Rules and Regulations

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

	Observation	Recommendation	Comments given by the Chief Accounting Officer
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Reference to Laws, Rules and Regulations	Non-compliance		
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(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka			

<ul style="list-style-type: none"> Section 10 of Chapter VIII 	<p>It had been approved to pay 1/20 allowance on the personal recommendation of the Head of the Department for other non-staff officers who had involved in closing of final accounts activities, development activities in the institutions exists under the</p>	<p>Actions should be taken in accordance with the provisions of the Establishments Code.</p>	<p>I believe that it is difficult to obtain a service from the non-staff officers without paying a benefit for holiday duties.</p>

Ministry and accordingly, a sum of Rs. 1,634,326 had been paid to eight District Secretariats.

**(b) Financial
Regulation of the
Democratic
Socialist Republic
of Sri Lanka**

(i) Financial Conducting of initial Actions should be Agreed with the Regulations 104 investigations in respect of taken in observations. (3) and 104 (4) seven accidents have been accordance with It is kindly informed that delayed from 17 days to 06 the Financial the Officials have been months and there was a delay Regulations. advised to correct this in of 4 months to one year to future. send a full report.

(ii) Financial Even though a copy of the -do- Agreed with the Regulations report should be sent to the observation. 104 (2) Treasury if the value of the The final investigation lose or loss is more than Rs. under Financial Regulation 104 (4) has 50,000 , actions had not been not been completed with regard to those accidents taken in respect of 06 and necessary actions will be taken to inform accidents totalled to Rs. the Secretary to the 6,843,433 accordingly. General Treasury as soon as the loss is assessed.

(c) **Public Administration Circulars**

Circular No. 02/2018 dated 24 January 2018	Although a Human Resource Development Plan should be prepared for the development of human resource within the Ministry, arrangements had not been made accordingly.	Arrangements should be made in accordance with the Circular.	Agreed with the observation. It is kindly informed that a Training Plan has been prepared for the Ministry for the year 2019.
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2. Financial Review

2.1 Income Management

The following observation is made.

Audit Observation

Recommendation

Comments given by the Chief Accounting Officer

The Revenue Estimate totalled to Rs. 190 million had been made for the Revenue Code No. 10.03.07.99 for the year under review and the total revenue collected amounted to Rs. 227.9 million.

Actions should be taken to prepare the Annual Estimates correctly.

Agreed with the observations. The Revenue Estimates are prepared based on the certificates issued to the clients, fees charged for the license copies by District Secretariats and Divisional Secretariats and since these revenues are calculated based on clients' needs, it is difficult to

forecast accurately.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(a) Excess Provisions Made Available ----- The total net provision with regard to 13 Capital Expenditure Objects was Rs. 11,228.4 million and the total expenditure for the end of the year was Rs. 9,102.7 million. Accordingly, the savings had ranged from 15 per cent to 89 per cent of the total provision.	The expenditure estimates should be prepared accurately in terms of Financial Regulations 50.	Agreed with the observations.
(b) The total net provision for 14 Recurrent Expenditure Objects was Rs. 140.02 million and the total expenditure at the end of the year was Rs. 99.9 million. Accordingly, the savings had ranged from 15 per cent to 99 per cent of the total provision.	-do-	Agreed with the observations.

2.3 Entered into Commitments and Liabilities

The following observation is made .

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(a) It had been entered in to liabilities exceeding the savings of 05 Expenditure Objects amounted to Rs. 114,164 .	Actions should be taken in accordance with Financial Regulation 216 (a).	The inability to calculate the relevant expenses for overtime specifically and practically for the month of December has been the reason for exceeding the provisions.
(b) The liabilities amounted to Rs. 349,690, which were not reported in the financial statements, had been settled in the year under review.	Actions should be taken in compliance with Section 3.4 of the State Accounts Circular No. 267/2018 dated 21 November 2018.	Agreed with the observation. Due to non-submission properly, the commitments and liabilities were not included in the records .

2.4 Issuance and Settlement of Advances

The following observation is made .

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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Ad hoc sub-impressts issued should be settled within 10 days of the completion of the work in terms of Financial Regulations 371 (5), the issued ad hoc sub-impressts totalled to Rs. 2,405,151 had been settled after a delay of 3 to 179 days.	Actions should be taken in accordance with Financial Regulations and Circulars.	Agreed with the observations. It is kindly informed that if it is not settled within the stipulated time, actions will be taken to charge from the monthly salaries of the officers who work beyond the Circular hereafter.

3. Operating Review

3.1 Not achieving the Desired Output Level

The following observations are made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(a) A sum of Rs. 50 million had been allocated without stating the number of bungalows expected to be improved. A number of 12 bungalows had been upgraded out of that at a cost of Rs. 8.9 million.	Arrangements should be made as planned.	A sum of Rs. 8.9 million has been allocated in the year 2018 only for those who have submitted their requests for renovations of circuit bungalows.

<p>(b) A sum of Rs. 50 million had been allocated for the training of the staff and only 35 training programmes were held and a 42 per cent of the target was achieved incurring a sum of Rs. 21 million out of that.</p>	<p>Arrangements should be made as planned.</p>	<p>Agreed with the observations. A training plan was prepared covering all the officers in the Home Affairs Division but unable to hold all organized programmes due to various reasons.</p>
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3.2 Delay in Executing of Projects

The following observations are made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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<p>It had been entered in to agreement to the construction of Stage III of the Colombo District Secretariat Building on 30 June 2016 and the construction had to be completed within 1,095 days. Cabinet approval had also been obtained on 28 March 2017 to expedite the construction work and to complete the work on 20 December 2017. However, the works had not been completed even by May 2019. As a result, the rent for the building amounted to Rs. 29.55 million had been paid in the year 2018.</p>	<p>Actions should be taken in accordance with the agreements.</p>	<p>It is kindly informed that as soon as Development Division replies, the answer will be submitted.</p>

3.3 Foreign Aid Projects

The following observations are made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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(a) Hundred and eleven power generators worth of Rs. 4,995,000 were purchased and 95 machines had been distributed to 11 Divisional Secretariats and four other institutions. However, 16 machines available at the Disaster Management Center had been kept without utilization since the day of purchased.	The money received from the foreign aid projects should be utilized economically, efficiently and effectively.	A number of 111 power generators have been purchased and it was decided to distribute to 11 Divisional Secretariats as 09 generators for each Division and the remaining 12 to be stored in the District Secretariat for the benefit of the disaster situations.
(b) Out of the allocations made to the Kegalle District Secretariat the grant amounted to Rs. 1,044,423 had been returned to the Treasury without utilization.	-do-	A sum of Rs. 5 million had been allocated for construction of building and toilet system for the use in the event of an emergency in the Ke/Dehi/Welangalla Primary School premises and a sum of Rs. 1.04 million had remained out of that.

3.4 Losses and Damages

The following observation is made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
----- The details with regard to the investigations commenced on 22 vehicle accidents in the year 2017 and four vehicle accidents occurred in the year 2018 had not been shown in the financial statements.	----- Actions should be taken in accordance with Financial Regulations.	----- Agreed with the observations. Among the accidents those had occurred in the years 2015, 2017 and 2018, there are three accidents that could be write off from the books and it is kindly informed that the completed Financial Regulation 109 Forms with regard to those accidents were included in.

3.5 Management Weaknesses

The following observations are made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
----- (a) It was observed a failure to comply with the provisions of Procurement Guidelines 1.2.1 (a) and 1.2.1 (c) by adding a condition to the repairing company as "subject to approval by insurance company" in three occasions of vehicle accident repairs.	----- Actions should be taken in accordance with the Procurement Guidelines.	----- Agreed. Steps will be taken to rectify this in future.

(b) Although it is stated that the Actions should be taken in Agreed. Drivers are vehicle should not be driven in accordance with the provisions advised not to occur such negligence and high speed in of the Act. things in future. terms of the Motor Traffic Ordinance No. 14 of 1951 Section 151 (2) and 151 (3) , as a result of the driver had failed to comply with that, a loss of Rs. 4,849,189 had been incurred on two occasions.

4. Achievement of Sustainable Development Goals

The following observation is made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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Every Government institution has to act as per the United Nations Year 2030 "Agenda" on Sustainable Development and the Ministry had not provided the information on how the work was carried out in relation to the activities under its purview.	Arrangements should be made in accordance with the United Nations 2030 "Agenda" for Sustainable Development.	As soon as the answer received from the District Administration Division, that will be furnished.

5. Human Resource Management

The following observation is made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
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The approved cadre and the actual cadre as at 31 December 2018 were 389 and 314 respectively. Accordingly, the number of vacancies were 83 and there was an excess of 08 officers in secondary level also observed.	Considering the number of vacancies and the excess number as per requirement should be added to the staff.	Agree with the observation.