

Head 233 – Department of Government Analyst

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Government Analyst 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 including my comments and observations on the financial statements of the Department of Government Analyst was issued to the Accounting Officer on 19 June 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11(2) of the National Audit Act was issued to the Accounting Officer on 30 May 2019. 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 the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Government Analyst as at 31 December 2018, and of its financial performance and 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 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

Accounting Officer is 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 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 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 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 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 the summary 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.

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.
- In order to design audit procedures that are appropriate in the circumstances, I do not express an opinion on the effectiveness of the Department's internal control system.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a fair and reasonable manner.
- In the overall presentation of the financial statements, structure and content of the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the 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 Requirements

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

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were in consistent with the preceding year.

- (b) Since there was no requirement for the Department of Government Analyst to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on financial statements

1.6.1 Non-compliance of financial statements with circular instructions

Even though, the financial statements need to be prepared in terms of circular No.267/2018 of 21 November 2018 deviations from those requirements are as follows.

Audit observation	Recommendation	Comments of the Accounting Officer
<p>(a) In terms of paragraph 3.3 of the above circular, the Accounting Officer needs to be ensured that in reporting non-financial assets, the values of general ledger balances should be examined and in agreement with the values of individual assets balances. Nevertheless, differences of Rs.37,450,791 were observed between the values of non-financial assets ledger balances of the Department as at 31 December 2018 and the values of ledger balances presented by the Department of State Accounts.</p>	<p>As at 31 December of every year, a correct reports on non-financial assets need to be sent to the Treasury and the main ledger balances obtain therefrom and the main ledger balance and individual balances of the Department need to be maintained in a manner that tally each other.</p>	<p>The values of assets physically exist in the Department and the assets as per the register of fixed assets are stated in Form ACA-6 in respect of non-financial assets. In posting fixed assets to the computer programme, values of certain assets had been erroneously posted twice by showing this difference. The value of assets stated in Form ACA 6 is correct and note that the data in the computer program had now been rectified.</p>
<p>(b) In terms of paragraph 3.4 of the circular, the statement of commitments and liabilities under note (iii) of the financial statements of the Department, should be agreed with the statement of commitments and liabilities issued by the Treasury relating to each expenditure Head. However, a difference of Rs.4,250,343 was observed between the value of</p>	<p>All liabilities of each object under Note No.III of the financial statements of the Department need to be correctly identified. Similarly, such liabilities must be tallied with the statement of commitments and liabilities issued by the Treasury in respect of each expenditure Head.</p>	<p>In terms of Financial Regulation 94(2) in respect of expenditure of recurrent nature, commitments can be incurred 50 per cent of the average provision during the previous 3 financial years. However, under the New 'Cigas' Accounting Software operates by the Treasury, commitments</p>

the statement of commitments and liabilities issued by the Department of State Accounts relating to the Department and the values stated in the statement of commitments and liabilities in the Departmental financial statements.

and liabilities can be shown only within the limit of approved provision for the year. Thus, only a part of liabilities incurred in terms of Financial Regulations is depicted by New 'Cigas' programme.

1.6.2 Liabilities

The following observation is made.

Audit observation	Recommendation	Comments of the Accounting Officer
Even though, liabilities of Rs.3,130,190 related to the year ended 31 December 2018 had been settled during the months of January and February 2019, such liabilities had not been reported in the financial statements of the year 2018 under liabilities and commitments.	All liabilities need to be identified correctly and accounted.	The sum of Rs.3,130,190 related to the expenditure object No.233-1-1-0-2401 and No.233-1-1-0-1002 paid in the year 2019 but related to the year 2018 had not been posted to the financial statements of the year 2018 as liabilities by an oversight.

1.6.3 Statement of Financial Position

The following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
(a) There was an imbalance of Rs.75,511,084 between the value of assets stated under the non-financial assets in the statement of financial position (Form ACAP) prepared by the Department for the year 2018 and the value of assets stated in the statement of non-financial assets presented in form ACA-6 along with those financial statements	Being adjusted the transactions carried out during the year and other changes to the opening balance of non-financial assets the correct balance as at the end of the year needs to be ascertained.	Value of disposed vehicles is not posted to the ACA-6 Form by an oversight. Accordingly, the total value of assets in Form 6 should be corrected as Rs.2,248,744,768.

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| <p>(b) According to the register of losses presented to audit by the Department, out of the losses totalling Rs.818,941 incurred during the year under review, losses valued at Rs.352,479 had been recovered in 2 occasions and the balance further recoverable amounted to Rs.466,462. However, the total value of losses further recoverable had been stated as Rs.2,229,111 in the statement of accounts, but according to the register of losses presented to audit that value was Rs.2,695,573.</p> | <p>The register of losses and damages needs to be correctly maintained by including all information on losses and damages.</p> | <p>Please note that action will be taken to correct the register of losses as observed in audit.</p> |
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1.6.4 Non-compliance with Laws, Rules and Regulations

The following observation is made.

Audit observation	Recommendation	Comments of the Accounting Officer
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<p>Reference to Laws, Rules etc.</p> <p>-----</p> <p>Financial Regulation 104 of the Democratic Socialist Republic of Sri Lanka.</p>	<p>Non-compliance</p> <p>-----</p> <p>Action had not been taken to institute inquiries, as soon as a loss or damage occurs and to ascertain the extent and causes of the loss and to fix responsibility on parties concerned, in respect of 12 vehicle accidents happened in the year under review.</p>	<p>An inquiry needs to be held, as soon as the vehicle accidents occur in order to ascertain the extent and causes of the loss and to determine the responsible parties.</p> <p>As the cash receipt relating to the compensation paid through the insurance company in respect of 12 accidents occurred in the year 2018 were not received by us, the preliminary inquiry under Financial Regulation 104 had not been held by the time the audit query was issued. As receipts relating to the payments are received by now, preliminary inquiries had been completed.</p>

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
(a) Expenditure Management It is the responsibility of the Accounting Officer to see that the draft estimates to his Department are prepared in conformity with Financial Regulation 50. However, from overall provisions made for 17 recurrent objects, a provision of Rs.6.69 million made for 6 recurrent objects had been transferred to another 5 recurrent objects and one capital object in 10 instances. Similarly, the provision of Rs.1.95 million made to one capital object had been transferred to another 2 capital objects in 2 instances. An additional provision of Rs.73.34 million had also been made by supplementary estimates. Accordingly, the realistic estimates in compliance with Financial Regulations had not been prepared.	Annual estimates need to be prepared as accurate as possible being included all predicted services.	In the preparation of estimates, the maximum consideration is made as mentioned in audit observations and prepared an estimate of Rs.689.06 million as realistic and accurate as possible. However, the Treasury has approved provisions less than that of the estimate approximately by Rs.326.71 million. Of this, except a sum of Rs.280 million, additionally requested for the purchase of a new equipment, approval had been granted for normal objects, less than Rs.46.71 million. This deficit had to be covered by expenditure control. This expenditure control has to be done unhindered to the functions of the Department, and it is not practicable to control all objects. Accordingly, expenditure had been controlled on controllable objects and savings of provisions had been transferred to essential objects in terms of Financial Regulations. The only alternative method to incur essential expenditure which cannot be covered by transfer of provisions is to make provision by obtaining additional provision in terms of financial regulations, and taken action accordingly.

(b) The net provisions of 3 recurrent objects and 2 capital objects amounted to Rs.165.12 million and the saving of those objects amounted to Rs.42.81 million, representing the savings from net provision ranging from 16 per cent to 50 per cent.

The annual estimates need to be prepared correctly in considering economy and efficiently by including all predictable services.

Reasons for savings include, non-receipt of a part of chemicals ordered before the year of accounts, even though it was planned to repair door locks and accessories of the dilapidated building, such repairs had not been completed before the year end and not submitted bills, as the laboratory in Kurunegala had been closed no necessity to pay rent further, prices quoted had been less than that of the estimated values considerably, and it was unable to clear the items of FID and Alcolizer equipment for which letters of credit were opened. etc.

2.2 Incurring liabilities and commitments

The following observation is made.

Audit Observation

In terms of Financial Regulation 94(1) except otherwise provided for, no expenditure or commitment shall be incurred by any Department for work service or supply unless financial provision exists therefor in the annual estimates and at no time shall the commitments and the expenditure incurred exceed such provision for the financial year. However, liabilities of Rs.3.36 million had been incurred relating to 3 objects exceeding the provisions made therefor.

Recommendation

Unless otherwise provided for in the annual estimates, no expenditure or commitment need to be incurred for work or service or supply by the Department.

Comments of the Accounting Officer

These objects are related to annually recurrent nature services and supplies. Therefore, subject to Limitations stated in Financial Regulation 94(II) these liabilities were incurred in considering the requirement.

3. Operating Review

3.1 Not reaching expected target levels

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>There are seven divisions in the Department, Comprising, Forensic Division, Firearms and Ballistics, Explosives and Fire Investigation Division, Narcotic Division, Serology and DNA Division, Forensic Toxicology Division, Examination of questioned Document Division, Digital Crimes Investigation Division and Miscellaneous cases Division. Furthermore, it was observed that calling for 42,166 special reports were made by law-courts to 4 laboratories for legal process in connection with alcohol milk and water during the year under review. Number of balance reports which could not be reported as at 31 December 2017 amounted to 6,168. However, during the year under review 36,647 reports were submitted to Judiciary and it was unable to submit 11,687 reports. Accordingly, the number of reports that could not be given had increased by 89 per cent as compared with that of the previous year.</p>	<p>A methodology to increase the reports to be submitted to courts, relatively to the increase of court cases annually needs to be identified and implemented.</p>	<p>One and only entity that analyses miscellaneous case products hand over by the Judicature in respect all crimes commit in Sri Lanka is the Department of Government Analyst. Rising the productions received by the DNA and Electronic Crimes Analysis Laboratory newly added to the Department had caused to increase the number of unreported court cases. Similarly, as case productions received by the laboratory belongs to the Forensic Division are difference from each other, analytical methods have to be used differently from each other as well. Spending more time on the preparation of analytical methods causes to increase number of unreported cases. Further, the number of cases received for analysis in the year 2018 as compared to the year 2017 had increased by 30 per cent (9,778). Currently the Narcotic and other Drugs Division receive the largest number of productions. Therefore, obtain steps have been taken to 4 officers from other laboratories and</p>

attached to the Narcotic Division in the year 2018. In addition, the officers were made aware of working on holdings and action will be taken to get the approval of the Secretary to the Ministry to make payments to officers work 5 holidays up to December 2018. In addition, action has been taken to get the approval for the recruitment of new 31 Assistant Analyst posts and the relevant gazette notification is expected to publish this year and as such it can be able to minimise the delay in issuing reports.

4. Good Governance

4.1 Internal Audit

Audit Observation

In terms of Section 40(1) of the National Audit Act No.19 of 2018, a competent Internal Auditor to carry out the internal audit of the Department had not been appointed. However, a post of Internal Auditor had got approved for the approved cadre of the Department since 01 September 2016 but the internal audit plan had not been prepared.

Recommendation

The Department needs to appoint a competent internal auditor to carry out internal audit of the Department and the internal audit plan should also be prepared.

Comments of the Accounting Officer

A request had been made to appoint an officer for the post of Internal Auditor from the Ministry of Public Administration and Disaster Management. Action will be taken to set up an internal audit division immediately when an officer is appointed.

4.2 Human Resources Management

The following observation is made.

Audit observation

The Department consists of two main divisions as Forensic and Food Science divisions. As one and only forensic laboratory in Sri Lanka it supplies specialised reports relating to court cases existed in various Judiciaries in Sri Lanka. Sectors involve in these reports include, fire arms and ballistics, explosives and fire investigations, narcotic serology and DNA, Forensic toxicology, questioned documents and digital crimes, miscellaneous court cases. Food, liquor, milk and water. However, there were 51 vacancies in senior and tertiary level cadre. As action had not been taken to fill those vacancies, it was observed that the above functions of the Department were directly affected.

Recommendation

In order to perform the objectives and main functions of the Department effectively, action need to be taken to recruit persons for senior level posts considered as a foremost task.

Comments of the Accounting Officer

The gazette notification prepared to recruit for the grade I officers of the Sri Lanka Scientific Service including the posts of Deputy Government Analyst and the posts of Deputy Government Analyst of questioned documents has been referred to the Public Service Commission. Two government analyst posts are vacant and only 2 officers are given permanent posts of the Deputy Government analyst now. Before being filled the vacancies of Deputy Analyst who can be appointed to the posts of Additional Analysts, Deputy Analyst posts need to be filled. Therefore, action will be taken to fill additional Analyst posts, after being filled the vacancies of Deputy Analyst posts. Action will be taken to recruit new 32 officers for the posts of Assistant Analyst. An officer for the post of Director (Administration) of the Department has been recruited on contract basis since 24.07.2017 and his service period has been extended for 6 months since 01.012019. A request has been made to the Ministry of Public Administration and Disaster Management to

recruit an officer for the post
of Internal audit officer.