

Head 320 - Civil Security Department

1. Financial Statements

1.1 Unqualified opinion

Audit of financial position of the Civil Security Department as at 31 December 2018, accompanying Financial Performance statement and cash flow statement for the year ended 31 December 2018 was carried out under my directions in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with National Audit Act No 19 of 2018. The summarized reports on the financial statements of the Civil Security Department to be submitted in terms of the paragraph 11(1) of the National Audit Act No. 19 of 2018 which contained my comments and observations had been submitted to the Accounting Officer on 28 May 2019. The detailed Management Audit Report was issued on 31 May 2018 to the Accounting Officer in terms of section 11 (2) National Audit Act No 19 of 2018. This report is presented to the Parliament in terms of section 10 of the National Audit Act No. 19 of 2018, read in conjunction with Article 154(6) of the Democratic Socialist Republic of Sri Lanka.

It is my view that financial statements of the Department of Civil Defense as at 31 December 2018 and the Financial Performance and Cash flow statement for the year ended 31 December 2018 reflect true and fair view in accordance with the generally accepted accounting principles.

1.2 Basis for Unqualified 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 qualified opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer on financial statements

Accounting officer is responsible for the preparation and fair presentation of these statement in accordance with Sri Lanka generally accepted accounting principles and provisions of the section 38 of National Audit Act No. 19 of 2018 and for such internal control as determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In terms of section 16 (1) of the National Audit Act No. 19 of 2018, the Department of Civil Defense shall maintain proper books and records of its income, expenses, assets and liabilities in order to prepare annual and periodic financial statements.

In terms of subsection 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the Department and shall periodically review the effectiveness of the system and make any necessary changes to keep the system running effectively.

1.4 Auditor's Responsibilities for 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 General compilation 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 internal control of the Civil Security Department.
- 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 those charged with governance 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 declare the following, in terms of Section 6 (d) and section 38 of the National Audit Act No 19 of 2018,

- (a) Since there was no need to prepare financial statements for the previous year, it cannot be stated that financial statements for the year under review were consistent with the previous year.

- (b) Recommendations on financial statements had not been presented since there was no need to prepare financial statements for the previous year by the civil security Department.

1.6 Comments on Financial Statements

1.6.1 Accounting deficiencies

Following accounting deficiencies were observed.

Audit observation	Recommendation	Comments of the Accounting Officer
(a) Although no liabilities had been stated under the object Nos 1003,1101 and 1303 in the liability statement of the Appropriation Account, expenditure amounting to Rs. 25,574,629, Rs. 342,792 and Rs. 17,155 had been settled in the year 2019 under those votes respectively on behalf of the expenditure made in the year 2018.	The need of properly accounting of expenses is emphasized.	Action had been taken in terms of FR 115 (5) regarding the object code No 1003, as there was no provision for object code 1002 in 2018 payment had been made according to the FR 94(2), essential expenses were made as imprest was not provided under the object code 1303.
(b) Although, a sum of Rs. 18,430 had been stated under the object code 2001 in the liability statement of the appropriation account, liabilities amounting to Rs. 761,640 had been settled under that object code of the 2019 vote ledger	Action should be taken to identify the liabilities correctly in relation to the expenditure for the year.	Due to a mistake in preparation of the liability statement, it was unable to include Rs. 761,640 under the object code 2001
(c) Within the deposit account there was an unsettled amount aggregating Rs. 38,259,348 retaining temporary for more than one year for the repayment to third parties.	It is emphasized that the need to take action to settle the balance of the deposit account	Out of these deposits money received for security services had also been retained with the approval of the Ministry of Defense, Action will be taken to settle that amount within two years.

2. Financial Review
2.1 Income Management

Following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(a) The total income earned was Rs. 58,448,565 from the commencing year 2010 to 2018 of the cashew plantation project which was implemented in kondachchiya area by the department. Other expenses, except the salary of the troops amounting to Rs. 114,104,066 had been spent for that period and it was observed that project had not earned an adequate benefit from the Project as the expenditure over income was Rs. 55,655,501.	It is required to prepare and implement project plans so as to receive the adequate benefit from the Project.	It takes about eight years for cashew cultivation to reach its peak level and the cost can be covered within the next three years.
(b) Intercrop had been cultivated in cashew cultivation project and net income of intercropping had been increased gradually from 2011 to 2017 but the net income of the year 2018 had been less by Rs. 7,337,555 compared to the year 2017	Cultivation of intercrops should be initiated and maintained in accordance with obtaining prior information about weather and climate.	Due to the prevailing drought in the area, crops were destroyed and income had come down

2.2 Expenditure Management

Following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(a) Although a sum of Rs. 600,000 had been transferred by the Financial Regulation No 66 for the object No 32001-01-1409 that amount had not been utilized	It is emphasized that need to utilize the allocated funds within the year	Due to delays in following procurement process, vouchers and bills were not presented for payments as at 31 December 2018 and allocated provision had

been saved.

2.3 Savings on Provision

Following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
It was observed that out of the allocated amount under the object code No 1506 and 2101 through the estimates had been saved by 54 per cent and 100 per cent respectively	It is emphasized that the need to make forecasting and expenditure management as accurate as possible	Provisions had been saved due to the matters of the failure to obtain public property loans as expected and the non-approval of the Controller General.

2.4 Entering in to the Liabilities and to commitments

Following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
Although in terms of the Financial Regulations 94(1) the amount of expenses and liabilities incurred shall not exceed the amount allocated for the year, liabilities amounting to Rs. 499,971 had been made over the provisions under the object code 2103 during the year under review.	The commitments shall be made in accordance with paragraph 02 (a) of the Public Accounts Circular No. 255/2017 dated 27 April 2017	Due to non-availability of imprest funds at the end of the year, affiliations with external agencies were made to fulfill the essential functions of the Department and it has also been stated that liabilities had been made due to the inability of settling the bills to these institutions.

2.5 Utilization of Funds Provided by other Ministries and Departments

Following observations are made.

Audit observations	Recommendation	Comments of the Accounting Officer
Provisions aggregating Rs. 136,349,697 had been remitted for various functions expected to be performed through this department by an another Ministry and 04 offices. However, only totaling Rs. 133,349,697 had been utilized by the end of the a sum of Rs. 2,992,184 had been saved from the allocated provision year under	It is emphasized that the necessity of coordinating the allocated funds efficiently for relevant activities.	Savings were due to not receiving the imprest from the Treasury as scheduled.

3. Operational review

3.1 Planning

The following observations were made regarding construction of Headquarters building in Molpe area by the Civil Defense Department.

Audit observation	Recommendation	Comments of the Accounting Officer
(a) An acre of land belonging to a sacred place had been obtained on leasing basis for 30 years to construct a headquarters building for the Department and it has come to an agreement to handover the building including the property to the sacred place after the expiry of the lease	Action should be taken to take over the ownership of the land before constructing the building	It is relatively advantageous than the cost incurred for renting out buildings use at present.
(b) This construction was commenced on 15 September 2015 but the approval of Cabinet of Ministers had been obtained on 12 July 2017. A written agreement in this regard had been signed on 16 November 2016 between the landlord and the Civil Security	It is emphasized that need to get the prior approval as prescribed	Approval is being obtained from the Urban Development Authority.

Department. Further, approval for the initial plan of the building had not been obtained from the Urban Development Authority even up to 31 December 2018.

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| <p>(c) Although, it was planned to construct the headquarters building with three storied, with a total estimated cost of Rs. 55,288,834 the construction plan had been revised as a four storied building after the completion of the first floor. Accordingly, amounting to Rs. 55,288,834 total cost estimate had been increased up to Rs. 180,689,390.</p> | <p>It is matter of not assessing the requirement properly and action should be taken to contract the increasing of cost.</p> | <p>Due to the lack of a building for the department headquarters it was decided to construct a three storied building. Later it was decided to have a four storied building as a administrative building.</p> |
| <p>(d) A sum of Rs. 12,900,000 had been utilized for the construction of this building from the Sena Commandant Fund of the officers who were in service of Directorate of Intelligence of Civil Security.</p> | <p>Action should be taken to obtain the consent of the Sena Executive Fund in this regard.</p> | <p>If payment of money for intelligence personnel is requested, Treasury has agreed to release the necessary provision for that payment. The fund of the Sena Commandant was credited to the Government consolidated fund.</p> |
| <p>(e) The total cadre of the Civil Security Department was 36,399 as at 31 December 2018. As no new recruitments are made, the Department will be terminated in the year 2058 after retirement of present staff. As the under construction buildings and property within the leased land would have be given back to the lessee after 30 years it was observed that there is a risk of necessity of such a building if the role of the department continues to evolve in the future,</p> | <p>Action should be taken by considering the future existence of the institute</p> | <p>At present, Work is going on to attach the security officers of the department to other institutions and arrangements can be made to amend the agreement if necessary.</p> |

3.2 Procurements

Following observations are made.

Audit observations	Recommendation	Comments of the Accounting Officer
Although, an estimate of Rs. 3,675,775 had been prepared for Purchasing 25 varieties of agricultural equipment in various quantities for the needs of the departmental force it was observed that the actual prices of 15 types of equipment ranged from 70 percent to 276 percent higher than the estimated price. Further, action had been taken to exclude the four types of equipment which were identified as required and to purchase two types of equipment less than planned.	The procurement process should be carried out efficiently considering the actual requirements.	A Variance had been occurred between the estimated price and actual price as estimates had been prepared in the year 2016 and also increasing the price of iron and steel and increasing the market price of the other equipment.

3.4 Asset Management

Following observations are made.

Audit observations	Recommendation	Comments of the Accounting Officer
Although, as per Section 3.2.2 of the Public Finance Circular No. 05/2016 dated 31 March 2016 board of survey for the previous year should be completed physically before 15 March of next financial year. But out of 35 boards of survey appointed by the Civil Security Department for financial year 2018, only 4 boards of survey had only been completed their duties by 30 April 2019.	Steps should be taken to carry out a Board of survey as scheduled and update the financial and other records.	The survey is scheduled to be completed before June 30 due to an institute is coming under the second time frame.

3.5 Management Weaknesses

Following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
It was observed that the new uniforms such as 3,294 meter of shirt fabrics, valued at Rs. 757,620, 7,386 meters of trousers fabrics valued at Rs. 265,960 and 2,641 tailor made suits valued at Rs. 5,361,230 had been purchased for the security personal those were not used and kept in the stores for more than two years even by 31 December 2018.	Action should be taken to utilize the purchased uniforms and fabrics by identifying the requirement	After the introduction of the new uniforms, due to the several heads of state institutions not like to have those uniforms the distribution of the uniform had been stopped. The action will be taken to re-used after the security situation in the country improved.

4. Achieving Sustainable Development Goals

Following observations are made.

Audit observations	Recommendation	Comments of the Accounting Officer
(a) Every governmental agency must act in accordance with the United Nations 2030 Agenda for Sustainable Development and the Civil Security Department was made aware of the scope of action under its purview in relation to the year under review. Although the parties interested about the Department had been identified in implementing the Sustainable Development Goals the Department had not implemented any awareness programs.	Action should be taken to achieve towards the sustainable development goals	Funding was requested to meet the Sustainable Development Goals identified for the year 2018 and the future activities could not be implemented as allocations were not made.
(b) A data collection methodology had not been prepared representing all parties for sustainable development indicators which was identified by the Department. But, it was	Should Work towards to achieve the Sustainable Development Goals.	Request had been made to obtain required provisions to meet the Sustainable Development Goals identified for the year 2018 but the

also revealed that it is expected to engaged officials in data collection, and the upcoming programs are in the planning stage

provisions were not allocated and future work could not be implemented.

5. Human Resource Management

Approved carder and actual carder

Particulars of the cadre as at 31 the December 2018 is as follows.

Audit Observation						Recommendation	Comments of the Accounting Officer
			Actual				
	Category of Employee	Approved Carder	Carder	Vacancies	Excess		
i	Senior level	23	15	8	0		
ii	Tertiary level	84	48	36	0		
iii	Secondary level	126	38	88	0		
			36,54				
iv	primary	39,960	6	3,414	0		
v	casual/ contact	0	1	0	1		
			36,64				
	total	40,193	8	3,546	1		

The approved carder as at 31 December 2018 was 40,193, actual carder was 36,648 and there were 3,546 vacancies. In those vacancies there were 8 senior level, 36 tertiary level, 88 secondary level and 3,414 primary level.