

## **Head 320 - Department of Civil Security**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department of Civil Security for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Department of Civil Security was issued to the Accounting Officer on 21 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 24 September 2021 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 prepared give a true and fair view of the Department of Civil Security as at 31 December 2020 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**

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My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities 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 the Accounting Officer on Financial Statements**

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The 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 the determination of the internal

control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per 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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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 summary 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- 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 manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether 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 terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year.
- (b) The following recommendations made by me regarding the financial statements of the preceding year had not been implemented .

<b>Reference to Audit Observation Paragraph</b>	<b>Audit Observation</b>	<b>Recommendation</b>
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1.6.1 (c)	The values of long-term cultivation being maintained under the projects of the force on the basis for reporting of accounts of the institution had not been recorded in the financial statements.	Actions should be taken to accurately record the relevant values in the financial statements.

**1.6 Comments on Financial Statements**

**1.6.1 Property Plant and Equipment**

The following deficiencies were revealed in the accounting of the property plant and Equipment.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) The value of 51 land plots, 113 buildings and 48,470 trees pertaining to 1,360 acres of permanent crops owned by the Department of Civil Security had not been computed and accounted for.	Instructions have been given to assess these assets and accounted for.	These assets need to be documented and accounted for and the values should be disclosed to the audit.

(b) Even though the total of the closing balances of the statement of non-financial assets submitted with the financial statements pertaining to 04 types of fixed assets was Rs. 962.3 Million, thus the total of the closing balance of the balances according to the Treasury computer printouts of those assets, was Rs. 945.1 Million, there was a difference of Rs. 17.2 Million. Further, even though, a sum of Rs.27.33 Million had been stated in the Treasury computer printouts as purchases of office equipment, as a result of that value was stated as Rs. 15.79. Million in the financial statements, a difference of Rs. 11.54 Million had remained.

Instructions have been given to discuss and resolve the relevant changes with the Department of Public Finance in the Treasury.

Actions should be taken to identify the differences and to equalize the balances.

### 1.6.2 Lack of Evidence for Audit

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Audit evidences in respect of the following transactions had not been presented .

<b>Audit Observation</b>	<b>Comments of the Accountng Officer</b>	<b>Recommendation</b>
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(a) The information on the ownership of 85 buildings of 91,349 square feet and 2,380 square meters using by the Department in various parts of the Island and 66 plots of land pertaining to 214	Arrangements will be made to ascertain the ownership of relevant buildings and plots of land and to submit a report promptly.	Documents confirming the ownership of the relevant plots of land and buildings should be submitted for audit.

hectares utilizing for cultivation, temporary construction and other purposes had not been submitted to audit .

- (b) Evidences to prove the assets valued at Rs. 37 Million disclosed as fixed assets in financial statements were not furnished to audit.

The necessary corrections are being made checking for balances of non-financial assets.

Actions should be taken to identify the differences in between the balances and to provide the values related to the accounted assets to audit .

## 2. Financial Review

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### 2.1 Expenditure Management

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The following observations are made.

#### Audit Observation

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#### Comments of the Accountng Officer

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#### Recommendation

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Although it is the responsibility of the Accounting Officer to prepare the estimates as accurately as possible, the provision totalled to Rs. 1.3 Billion out of the total net provision amounted to Rs. 7.2. Billion for 17 recurrent expenditure objects and the provision totalled to Rs. 109.66 Million out of the total net provision amounted to Rs. 202.36 Million for 07 capital expenditure objects had not been utilized. Those savings had ranged from 6 per cent to 77 per cent of the net provision made

The provisions have been saved due to the non-receipt of imprest at the end of the year and limits in procurement of goods and services due to the prevailing Corona situation.

Arrangements should be made to prepare estimates as accurately as possible.

available . Further, a sum of Rs. 80 million had been transferred to expenditure object No. 320-01-01-2509 from the expenditure object No. 320-01-01-1203 and Out of the provisions thus transferred, a sum of Rs. 58.56 Million that is 73 per cent had been saved by the end of the year.

## 2.2 Entered into Liabilities and Commitments

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accountng Officer</b>	<b>Recommendation</b>
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<p><b>(a)</b> Due to failure to comply with Regulations 94 (1) and 214 of the Financial Regulation, the value of liabilities payable to third parties had been Rs.269.4 Million and the value of 417 liability objects within that amount for more than one month was Rs. 175.9 Million.</p>	<p>This situation has arisen due to the delays in delivery of goods and services because of Corona situation.</p>	<p>Actions should be taken to settle the liabilities promptly.</p>
<p><b>(b)</b> Liabilities totalled to Rs.43.5 Million pertaining to three expenditure objects but had not subject to F.R. 94 (2) and (3) had been revealed by financial statements</p>	<p>Arrangements will be made to remove these expenditure objects from the Register of Liabilities from the year 2021 .</p>	<p>Only the liabilities that need to be revealed should be disclosed as per Financial Regulations.</p>

(c)	Liability balances to be paid to a public institution and 13 private institutions totalled to Rs. 113.2 Million had not been confirmed.	Relevant institutions have been notified and the copies of those letters have been submitted to you.	Relevant institutions should be informed to confirm and send the balance of liabilities.
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### 2.3 Utilization of Provisions Made by Other Departments

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Audit Observation	Comments of the Accounting Officer	Recommendation
Out of the provisions made by an another Department for the expenditure object No. 284-1-1-8-2105, a sum of Rs. 2.5 Million or 32 per cent had been saved by the end of the year.	Because of inability to procure goods, the provisions had saved.	The provisions made by other Departments should be utilized.

### 2.4 Issuance and Settlement of Advances

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Recovery of the loan balances of Disaster, Festival and Special Advances receivable amounting to Rs. 10.5 Million from 76 officers who had left the service and these loan balances had exceeded three years.	Actions are being taken to settle the relevant loan balances expeditiously.	These loan balances should be recovered promptly as per the provisions of Paragraph 4.3 of Chapter XXIV of the Establishments Code.

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| <p>(b) The Chief Financial Officer had not signed to the Forms No. 02 to 05 submitted with the Advances to Public Officers' "B" Account .</p> | <p>All the attachments will be submitted with the signature of the Chief Financial Officer in future.</p> | <p>Accounts should be submitted as per Paragraph 10.1 of the Public Finance Circular No. 02/2020 .</p> |
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## 2.5 Operating Bank Accounts

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The deficiencies revealed during the audit test check carried out on the operating of bank accounts.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) Monthly Bank reconciliation statements for a Current Account of the Department from November 2020 to May 2021 had been prepared with many delays until June 2021 and submitted for audit .</p>	<p>The delay had occurred as a result of the closure of headquarters for several months due to the Corona situation.</p>	<p>Bank reconciliations should be prepared and submitted to audit in accordance with Financial Regulation 395 (c).</p>
<p>(b) A number of 102 cheques totalled to Rs. 21.4 Million in the above bank account had not been submitted to the bank even after 06 months of date of issuing and actions had not been taken in respect of the cheques in accordance with FR 396 (d) .</p>	<p>Instructions have been given to act in accordance with F.R 396 (d) in respect of cheques for more than 06 months.</p>	<p>Actions should be taken in respect of expired cheques in accordance with Financial Regulations.</p>
<p>(c) The values of unidentified deposits and unidentified payments remained in the above bank account for a period of two months to twelve months were Rs.15.79 Million and Rs.145,979 and actions had not been taken to identify these balances settled.</p>	<p>Instructions have been given to identify the relevant balances.</p>	<p>Actions should be taken to identify and settle these balances.</p>



## 2.6 Obtaining Imprests

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### Audit Observation

### Comments of the Accounting Officer

### Recommendation

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Even though the Department had applied for a total of Rs. 20,289.6 Million , thus the total value of imprest received was Rs. 16,347.2 Million, a sum of Rs. 3,942.4 Million or 19 percent had not been received.

Comments have not been given.

Arrangements should be made to Submit imprest requirements to the Treasury in advance and receive imprests.

## 2.7 Non-compliance with Laws, Rules and Regulations

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The following matters are observed.

<b>Observation</b> ----- <b>Reference to Laws, Rules and Regulations</b> -----	<b>Non- compliance</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
(a) Motor Traffic Act	Twenty six cars and 28 motorcycles used by the Department had been used for running activities without obtaining the government revenue licenses.	That instructions have been given to obtain the revenue licenses for the vehicles expeditiously.	Revenue Licenses should be obtained for the Vehicles use for running.

**(b)**

Financial Regulations of  
the Democratic Socialist  
Republic of Sri Lanka

(i) Financial Regulations 103 (1) (b)	Damages occurred to 26 vehicle accidents in the years 2019 and 2020 had not been reported to the police and the value of the damage, had also not been assessed.	Actions will be taken to prevent this situation from the year 2021.	It is required to report the damages to vehicles caused by road accidents to the police.
(ii) Financial Regulations 104 (3),(4)	Preliminary reports and full reports on 26 vehicle accidents occurred in the years 2019 and 2020 had not been prepared and submitted.	Actions will be taken to prevent this situation from the year 2021.	The preliminary reports and full reports should be prepared and submitted in accordance with Financial Regulations.
(iii) Financial Regulations 110	The Department had not maintained a Register of Losses and Damages for the past 05 years.	Arrangements will be made to maintain the Register of Losses and Damages in an updated manner from 2021 .	Actions should be taken in accordance with the relevant Financial Regulations.
(iv) Financial Regulations 770 (4) and 770 (a) (b)	Actions had not been taken to dispose the vehicles removed before the year 2020 from use.	These vehicles have been categorized according to the relevant Financial Regulations and actions will be taken to dispose promptly.	It is required to comply with the above Financial Regulations in respect of vehicles that have been determined as unfit for driving.

(v)	Financial Regulations 880 and 891	Regulations	Officers in 10 executive and 03 secondary level posts of the Department who were required to keep securities had not kept securities	Actions will be taken to complete the duties on keeping securities expeditiously.	Actions should be taken to keep securities by the relevant officers who need to keep securities and to maintain a Register of Securities in terms of relevant Financial Regulations.
(vi)	Financial Regulations 1645	Regulations	The Log Books for the 324 vehicles used by the Department been not maintained.	The Log Books will be maintained for all vehicles in future	The Log books should be maintained for the vehicle.
(vii)	Financial Regulations 1646	Regulations	Daily running charts and monthly summaries for 554 vehicles used by the Department had not been submitted to the Auditor General.	Arrangements will be made from 2021 in terms of F.R. 1646	Submission of daily running charts and monthly summaries should be carried out.
(viii )	Financial Regulations 1647 (e)	Regulations	The date of delivery or the date of transfer of each vehicle had not been stated in the Register of Vehicles maintained by the Department.	Steps will be taken to enter the above information in the Register of Vehicles .	The Register of Vehicles should be maintained by entering the relevant details.

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| (c) Paragraph 3.1 of the Public Administration Circular No. 30/2016 dated 29 December 2016 | Fuel tests had not been carried out in the year under review or in previous years regarding 554 vehicles used by the Department. | Actions will be taken to complete the fuel tests during this year. | It should act in accordance with the above circular provisions and carry out fuel tests and balance the running charts base on it. |
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### 3. Operating Review

#### 3.1 Failure to Obtain the Expected Outcomes

##### Audit Observation

##### Comments of the Accountng Officer

##### Recommendation

The Department has run a cashew cultivation project for about 1,200 acres (approximately 45,000 cashew trees) in the Kondachchi area in Mannar for a long period and there was an expenditure over revenue amounting to Rs. 12.6 Million in comparing the last four years. Further, it was observed that the loss of the project will further increase when considering the salary and expenditure of 262 Civil Security personnel deployed for this purpose. Due to the threat of wild elephants, 186 troops were deployed for security alone and the cashew trees were not numbered and documented. Further, the

Arrangements will be made to construct an elephant fence around the land, to number the cashew trees, to monitor the harvest properly and to provide adequate storage facilities in future.

Arrangements should be made to minimize the costs and reap the expected benefits by properly managing of cultivation, harvesting and storage.

harvesting and documenting of cashew production are being done without proper supervision and adequate storage facilities had also not been provided for storing cashew nuts.

### 3.2 Procurements

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accountng Officer</b>	<b>Recommendation</b>
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<b>(a)</b> The Department had not prepared a Master Procurement Plan for the expected procurements for at least three years.	Instructions have been given to prepare plans which are needed to be maintained in accordance with the Procurement Guidelines.	Procurement Plans should be prepared as per Guidelines 4.2.1 of the National Procurement Agency Circular No. 08 of 25 January 2006 .
<b>(b)</b> Arrangements had not been made in accordance with the Procurement Guidelines when purchasing of raw materials cost at Rs. 798,445 for the establishment of a production project of cement blocks in Akbopura area and the revenue of Rs. 1.1 Million earned from the sales of cement blocks had been held for several days.	Actions will be taken to purchase the materials required for the project by calling Bids locally in future and all the money received from the sales have now been credited.	Purchases should be made in accordance with Government Procurement Guidelines and the sales revenue should be banked without delay.

### 3.3 Assets Management

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Audit Observation	Comments of the Accountng Officer	Recommendation
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<p>(a) Thirteen vehicles and 19 motorcycle belonging to the Ministry of Defense and, 6 vehicles belonging to the Presidential Secretariat, 4 vehicles belonging to the Cabinet Office and 10 vehicles belonging to several other Ministries and Departments are being used by the Department for a long time and arrangements had not been made to take over the legal ownership of these vehicles.</p>	<p>Arrangements are being made at present to take over the legal ownership of vehicles acquired from other Ministries and Departments.</p>	<p>The legal ownership of the relevant vehicles should be taken over expeditiously.</p>
<p>(b) Two cashew cutters and 132 steel wires with the size of 12mm at Kondachchi Cashew Cultivation land had been underutilized from the year 2017 .</p>	<p>Arrangements will be made to prepare a suitable programme for the utilization of the relevant machinery and to provide 132 steel wires for other construction works .</p>	<p>Actions should be taken to obtain effective economic benefits from underutilized assets.</p>
<p>(c) Even though 11 vehicles belonging to the Department had been taken to private garages for repairs as per the audit carried out, though a period ranging from one to three years has elapsed by now, the repairs of the relevant vehicles had not been completed and handed over to the Department. It was observed that the parking in private garages for a long period can result in loss of spare parts and</p>	<p>Instructions have been given to get repaired the vehicles which have been delayed to be repaired promptly and to hold vehicle repair progress review meetings once a month.</p>	<p>Vehicle repairs should be carried out quickly and efficiently and actions should be taken to properly manage and protect the assets of the Department.</p>

various accessories, damage from the sunshine and rain, and spontaneous deactivation of well-maintained active parts of vehicles due to a long period underutilization.

### 3.4 Losses and Damages

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The following observation is made.

#### Audit Observation

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The damages occurred to bicycle, amplifier set due to the fire at Trincomalee Brigade Headquarters Main Warehouse Building amounted to Rs. 342,320 and the damages caused to 26 vehicles by road accidents had not been revealed in the financial statements. Of that, the loss occurred to 10 vehicles had been estimated as Rs. 141,359 and the losses of remaining 16 vehicles had not been calculated.

#### Comments of the Accounting Officer

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Instructions have been given to disclose from the financial statements for the year 2021 and to take further actions regarding those losses.

#### Recommendation

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Losses to assets should be disclosed in the Financial Statements.

### 3.5 Unresolved Audit Paragraphs

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#### Audit Observation

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- (a) Although various types of projects are being initiated and maintained by 22 forces and training schools by

#### Comments of the Accounting Officer

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Comments have not been given.

#### Recommendation

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The Department should take actions to identify its Vision, Mission and Functions in line with

utilizing the physical resources, human resources and internal funds of the Department of Civil Security the Department, it had not identified implementing of such projects under its vision, mission and functions.

current requirements and activities.

- (b) Even though the Board of Inquiry had recommended on 03 July 2018 to recover the loss occurred due to the shortage of 782,326 bricks in the Maha Oya Force Brick Production Project, from the responsible officers actions had not been taken to recover the loss even by now..

Comments have not been given.

Actions should be taken to recover the losses without delay.

### 3.6 Management Weaknesses

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 The following observations are made.

Audit Observation	Comments of the Accountng Officer	Recommendation
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(a) The Department has been using 12 plots of land with 51 Roods in extent and 42 buildings with 34,286 sq. Ft. owned by other institutions and individuals and adequate actions had not been taken to acquire the legal ownership of these lands and buildings.	That arrangements will be made to check the documents regarding lands and buildings belonging to other institutions and individuals and further steps will be taken .	Arrangements should be made to take over the legal ownership of the buildings Because it has to bear the costs to maintain buildings owned by other agencies.



- (b) As a result of failure to comply with a long term plan regarding building requirements such as the maintaining of Department offices, providing official quarters and accommodation and storage facilities, it had to use 130,769 square feet and 2,000 square meters of 128 buildings belonging to various institutions and individuals in different parts of the island temporarily. Some of the premises were also renovated by the Department.
- The requirement of these buildings will be reviewed and steps will be taken.
- It should identify the building requirements and meet the building requirements through a long term plan.
- (c) Uniforms and uniform fabrics purchased in 2016 valued at Rs. 4.7 Million for Civil Security Force personnel without proper identification of needs had remained in the stores by the end of the year under review and the standard quality of these stocks had been damaged by this time. Further, there were uniforms which have not been issued for more than 2 years valued at Rs.620,740 in the uniform warehouse of the Katunayake Force Headquarters and also stocks of 968 items of 14 different types of related materials.
- Arrangements will be made to take necessary steps promptly with regard to these remaining stocks.
- Purchases should be made Need identifying needs and utilize slow moving stocks in a manner of receiving economic benefits.

- (d) The Katunayake Force Headquarters had implemented two 10.5 acre potato and pineapple cultivation projects in the area and although a total salary of Rs. 3,862,800 was incurred for 13 persons who had involved in the relevant cultivation activities, the income received was Rs. 978,370 . These projects were not properly supervised and maintained by the District Officer.
- These two agricultural projects have been completed so far and a Guideline has been provided to all Force Supervisors regarding supervision and books to be maintained.
- Cost-effectiveness should be considered when implementing projects and a proper supervision should be made while maintaining records.
- (e) The Seva Vanitha Union had deployed 239 Kantale Force personnel from 12 September to 28 December of the year under review to manufacture and distribute exercise books to the children of the members of the Department and although a salary of Rs. 45.1 Million had been incurred for the relevant troops during this period, that amount had not been reimbursed to the Department.
- Instead of producing exercise books in 2021, it has been focused on buying from the open market and a committee has been appointed for this purpose.
- Actions should be taken to reimburse the relevant cost of salaries to the Department.

#### 4. Human Resources Management

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accountng Officer</b>	<b>Recommendation</b>
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<b>(a)</b> There were a total of 4,786 vacancies in the staff of the Department including 03 senior level vacancies and 54 tertiary and secondary level vacancies.	Necessary action are being taken to fill the relevant vacancies.	Actions should be taken to fill the vacancies considering the service requirements.
<b>(b)</b> No training whatsoever had been given to a number of 33,111 primary level staff during the year under review .	The courses could not be organized due to the Covid 19 epidemic.	Arrangements should be made to increase the performance through employee training