

Head 308 - Department of Posts

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Posts for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Posts was issued to the Accounting Officer on 26 May 2022 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report relating to the Department of Posts in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 07 July 2022. This report will be presented 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Posts as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described 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 is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for 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

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 judgement and maintain professional scepticism 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 Department's 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 consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

The following observations are made.

(a) Receipts of Revenue

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>-----</p> <p>Approval had not been granted for repayments made in cash in the statement of income amounting to Rs. 6,801,869 and correction of errors of Rs. 18,493,453 and loss on changes in exchange rates amounting Rs. 1,319,023 had been included in repayments.</p>	<p>-----</p> <p>The reasons for the difference in unapproved repayments were a loss on foreign exchange and the corrections made by the District Accounts Offices through cross entries.</p>	<p>-----</p> <p>Approval should be obtained for making repayments from revenues.</p>

(b) Reconciliation Statement on the Advances to Public Officers Account

- (i) There was an unidentified difference of Rs. 2,619,777 between the total of individual loan balances and the balance of the control account in two District Accounts Offices.

The necessary actions are being taken to identify the unrecognized differences and clear the recognized differences by now.

There should be no discrepancies between the individual loan balance and the control account balance.

- (ii) The loan balance which had not been identified the correct loan category and existing for more than 5 years was Rs. 1,515,466.

A loan balance of Rs. 3,063,808 has been identified during the year 2021 out of the loan balance of Rs. 4,579,274

The category of the receivable loan balance should be identified

categorized under 'other' as at 31 December 2020, and the actions are being taken to identify the remaining loan balance under the correct category.

separately.

(c) Non-maintenance of Registers and Books

Audit Observation

Comments of the Accounting Officer

Recommendation

According to the information submitted by the Department, details on 11 accidents happened during the year 2021 with the estimated loss of Rs. 2,078,400 and 11 unvalued vehicle accidents had not been included in the statement of losses and omissions.

Agreed with the audit observation. It is informed that the vehicle accidents pointed out by audit will be included in financial information statements in the year 2022. Further, officers are informed to include incidents in register of losses and damages once they are occurred.

All up to date information should be disclosed in financial reports.

2. Financial Review

2.1 Management of Imprests

Audit Observation

Comments of the Accounting Officer

Recommendation

Actions had not been taken even during the year under review to settle a sub imprest balance of Rs. 14,000 continued to exist from the year 2009.

The presentation made through the journal entries is correct. It is kindly informed that actions will be taken in future to settle the balances existed as at 31 December 2021 which was continued from the year 2009.

Sub imprest balances should be settled at the end of the day of each year.

2.2 Revenue Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
(a) The balance of outstanding revenue as at the end of the year under review amounting to Rs. 101,393,616 which was continued to exist for over one year period had been failed to recover even during the year under review.	Out of the approved accounts for the related year with regard to the international postal income, only the account balances pertaining to non-receipt of cash has been included in outstanding revenue for the respective year. According to that, accounts approved in subsequent years are included as outstanding revenue in each year relevant to the year of respective accounts. It is beyond the control of the Department of Posts.	Every effort should be made to recover the outstanding revenue.
(b) The favourable variance between the estimated revenue and the actual revenue relevant to 32 income categories had ranged from Rs. 105,594 to Rs. 128,064,256 whilst the adverse variance in 13 income categories had ranged from Rs. 191,430 to Rs. 66,078,495.	The reasons such as increasing the number of letters and parcels mailing more than the expected amount even under the corona pandemic situation, increasing the foreign exchange rate, increasing the sale of postal stamps and revenue stamps at the end of the year more than the expected amount, rapid propagation of the Cash on delivery service among the general public, introducing marketing strategies and sales promotion programmes have caused for increasing the revenue. The recorded outstanding revenue due to the corona pandemic is being recovered. Transferring revenue codes and limiting the domestic and foreign operations has caused for decreasing the estimated revenue.	Estimates should be prepared in terms of the Financial Regulations 50 as accurate as possible.

- | | | | |
|-----|---|--|---|
| (c) | Even though electricity bills relevant only to the general supplies should be accepted in paying electricity bills through the Department, electricity bills worth Rs. 37,293,337 relevant to bulk supplies had been accepted by post offices and as a result the Department had lost a commission income of Rs. 745,867. | After issuing the letter number Acct (op/epay/02a/2012) dated 31 July 2012, Post offices have been informed from time to time through the web site of the Department of Posts, not to accept bills relevant to bulk supplies. However, as those bills are still accepted by post offices, it is informed that actions will be taken to make them aware again in this regard. | Actions should be taken in accordance with circulars. |
|-----|---|--|---|

2.3 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation	
-----	-----	-----	
(a)	As 06 recurrent Objects and 08 capital Objects had ben overprovisioned, a sum of Rs. 378,886,076 had saved and it had ranged from 25 per cent to 97 per cent of the net provision.	The factors such as incurring lower expenses on overtime, traveling and foreign traveling, unable to complete procurement activities due to the Covid situation, delay of suppliers, shortage in spare parts within the market, restricting expenses based on cabinet papers, restriction in calling for duties, limiting imports, unable to obtain approval for writing off losses, issues in construction activities, and increasing prices had caused regarding this as a whole.	Estimates should be prepared accurately in accordance with Financial Regulations 50.
(b)	The savings out of the provision transferred under the F.R. 66 relevant to 02 Objects was Rs. 19,421,929.	Reducing expenses which expected to be spent on attending a conference representing the Department of Posts, delays of suppliers due to the Covid 19 situation and scarcity of goods have caused for these savings.	-Do-

2.4 Incurring of Liabilities and Commitments

The Following observations are made.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	The liabilities of Rs. 876,991 reported to the Treasury had not been included in the financial statements.	It has been mistakenly unable to include in note (iii) of the financial statement and instructions have been given for correct recording in future.	All the liabilities should be disclosed in the financial statements.
(b)	The liabilities of Rs. 47,753,044 which were included in the statement of commitments and liabilities as at 31 December 2021 had not been settled even by the date of 10 March 2022.	The reasons for the unsettled commitments and liabilities included in the statement of commitments and liabilities as at 31 December 2021 were inadequate provisions and non-submission of bills.	Actions should be taken to settle the liabilities as soon as possible.
(c)	The liabilities as at 31 December 2021 amounting to Rs. 13,144,156 had not been included in the statement of commitments and liabilities.	It is kindly informed that actions will be taken to update.	All the liabilities should be disclosed in the financial statements.

2.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

	Observation	Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance	
(a) Section 4.5 of Chapter XXIV of the Establishments Code of the	16,465,002	Loan balances had existed for more than 5 years which could be recovered from	Actions have been taken in order to recover the outstanding loan balances
			Actions should be taken in accordance with the Establishments

	Democratic Socialist Republic of Sri Lanka.	the guarantors in cases where the loan balances were unable to recover from the borrowers.	and to take legal actions.	Code.
(b)	Public Administration Circulars			
(i)	Public Administration Circular, No. 30/2016 dated 29 December 2016	Fuel consumption tests had not been done for any vehicle of the Department.	Tests are being carried out regarding the fuel consumption of the vehicles owned by the Department by now.	Actions should be taken in accordance with the Circular.
(ii)	Public Administration Circular, No. 02/2018 dated 24 January 2018	Annual performance agreements for the whole staff had not been signed.	The formats for signing annual performance agreements for whole staff have been forwarded and it has instructed to finish those tasks and report.	Actions should be taken in accordance with the Circular.

2.6 Issuance and Settlement of Advances

The following observations are made.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	Out of the financial fraud worth Rs. 1,295,400 revealed in the District Accounts Office at Kalutara before 09 years, a sum of Rs. 1,145,850 had not been settled as at the end of the year under review.	A sum of Rs. 149,550 has been recovered out of the money relevant to the financial fraud of District Accounts Office at Kalutara and it is informed that actions are being taken to identify the remaining money relevant to this fraud by now.	Prompt actions should be taken in order to conclude the Department investigations without spending a long time period.

(b) The total loan balance as at the end of the year under review was Rs. 55,091,707 and out of that, a balance of Rs. 27,304,345 which continued to exist for more than 5 years had not been able to recover.

A sum of Rs. 481,040 has been recovered by the date of 31 March 2022. Actions are being taken to waive off the loan balances which are unable to recover in any measure.

Every effort should be made to recover the loan balances.

2.7 Deposit Balances

Audit Observation

Actions had not been taken in accordance with the Financial Regulation 571(3) regarding the balance of Rs. 4,001,595 in General Deposit account existing more than 2 years.

Comments of the Accounting Officer

It is informed that actions will be taken to credit the balances over 2 years to the government revenue in future.

Recommendation

Actions should be taken in accordance with the Financial Regulations.

3. Operating Review

3.1 Procurements

The following observations are made.

Audit Observation

(a) In purchase of 45 Dot Matrix printers worth Rs. 1,689,750 for the use of post offices, actions had not been taken in terms of the instructions stipulated in the guideline no. 2.11.1(c), 2.12, 5.3.1(d), 7.4.1 and 8.8.1(a) of the procurement guidelines in 2006.

(b) In purchase of 11 Air-condition machines worth of Rs. 1,680,400 under the shopping method, letters of acceptance had not been

Comments of the Accounting Officer

Audit observation is accepted. It has been planned to take actions accordingly henceforth.

Actions will be taken to sign agreements and avoid such circumstances in future. Covid 19 situation had also been affected for

Recommendation

Actions should be taken in terms of the procurement guidelines.

Actions should be taken in terms of the procurement guidelines.

- | | | |
|---|---|---|
| <p>obtained and agreements for goods/services had not been signed in terms of guideline no. 8.7.1(b), and 8.9.1(b) of the government procurement guidelines.</p> | <p>this.</p> | |
| <p>(c) Contradictory to the guideline 2.14.1, the shopping method had been applied in purchase of 50 franking machines for a price of Rs. 47,520,000 inclusive of VAT in the year under review.</p> | <p>Observation is accepted. It is mentioned that considering the prevailing limited timeframe, approval has been obtained on 23 September 2020 to call quotations through shopping method based on the decision no. 40 made by the procurement committee.</p> | <p>Actions should be taken in terms of the procurement guidelines.</p> |
| <p>(d) Eventhough all the arrangements with regard to 6 procurement activities of District Accounts Office at Badulla and Deputy Postmaster Generals Office amounting Rs. 4,919,645 had been made by the Divisional Secretariats in the year under review, the respective task had not been confirmed by the Department whether it was completed as scheduled. Further, specific amount of money from the payments had not been withheld and performance securities had not been obtained in relation to 07 procurement activities amounting Rs. 6,919,627 in terms of guideline 5.4.10 (b) of the government procurement guidelines.</p> | <p>As the Department has no adequate number of technical officers, support has been obtained through the Divisional Secretary and the project is operated under the supervision of the Post Master and the Divisional Superintendent. Arrangements will be prepared in order to make the works supervised by the Department Engineer and technical officers in relation to the works performing with the coordination of them in future procurements.</p> | <p>Actions should be taken to supervise the effectiveness of the expenses made by the Department.</p> |
| <p>(e) Formal agreements had not been entered into in respect of 6 supply contracts for goods or services exceeding the value of Rs. 500,000 in terms of the 8.9.1(b) of the government procurement guidelines.</p> | <p>Agreements for performing works were entered between the Divisional Secretary and the officials of the selected association. Therefore, entering into an agreement between the Department of Posts and officials of the association was not taken</p> | <p>Actions should be taken in terms of the procurement guidelines.</p> |

place. An agreement has been entered between Department of Posts and officials of the association with regard to one work.

3.2 Security of Public Officers

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Other than the allowable expenses in terms of the Section 6(1) and (2) of the Post Office Security Fund Ordinance No. 01 of 1938 and amended in 1978, a sum of Rs. 769,435 had been paid from the Security Fund in some occasions.</p>	<p>It is kindly informed that this payment is the allowance paid to the accountant through the Post Office Security Fund since the year 2010 based on the approval of the governing board for preparation of the monthly account, reduction accounts and supervision of accounting matters of the Security Fund.</p>	<p>Actions should be taken as mentioned in the Ordinance.</p>
<p>(b) Although a sum of Rs. 845,970 had been spent in the preceding year for the development of the computer software system which was established for the operations of the Security Fund, the system had not been updated.</p>	<p>The respective payments have been made according to the approval of the governing board for entering of data and software development activities and checks carried out up to the date of 31 December 2016. It is kindly informed that actions will be taken to commence updating the computer system in future since the staff is not sufficient.</p>	<p>Benefit should be obtained for the money spent.</p>
<p>(c) The balance of unsettled security deposits of 2,366 employees in 16 District Accounts Offices and existing over 08 years was Rs. 4,706,739.</p>	<p>Since the accounts classified as dormant in the Post Office Fund are the values which are unable to find out details of the account holders, those accounts have not been able to settle.</p>	<p>Arrangements should be made to pay and settle the money owned by employees.</p>

- | | | |
|--|--|--|
| <p>(d) Dormant accounts had not been updated for more than 07 years and interest free security deposits of Rs. 2,098,122 pertaining to 1,828 officers and balances of security deposits pertaining to 30 officers with no details amounting Rs. 671,821 had existed.</p> | <p>Relevant officers have been made aware to take necessary actions in order to arrange a suitable programme for performing those tasks.</p> | <p>Information on dormant balances should be kept and every possible effort should be made to provide them for owners.</p> |
|--|--|--|

3.3 Management Weaknesses

The following observations are made.

	Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a)	<p>As the number of opening preliminary investigations was 2,156 and the number of concluded and excluded investigations out of the total investigations including 407 investigations in the year under review was 584, the number of remaining investigations was 1,979. The up-to-date data of the investigations had not been kept under custody of a responsible officer.</p>	<p>Having collected the information relevant to the preliminary investigations, a detailed report is being prepared by now and accordingly it is informed that actions will be taken to submit that detailed report to the audit without delay in future.</p>	<p>Investigation works should be completed soon and a report including the details of them should be maintained by the Department.</p>
(b)	<p>Money orders reconciliation statement -----</p> <p>A sum of Rs. 2,192,592,952 had been accounted through CIGAS programme more than the issues made by the Controller of Money Orders from the year 2013 to 2018 and a sum of Rs. 2,352,149,235 had been accounted through CIGAS programme more than the payments made by the Controller of Money Orders from the year 2013 to 2015.</p>	<p>Actions will be taken to make corrections and inform the audit regarding that in future.</p>	<p>Actions should be taken to correct such continuing differences.</p>

- | | | | |
|-----|--|--|---|
| (c) | According to the reports of the Board of Survey, there was an excess of 09 stamp items worth Rs. 1,965,766 and a shortage of 10 stamp items worth Rs. 183,350. As well as, there was a shortage in a stamp stock worth Rs. 2,184,000 in the Stamp Division at Narahenpita. | It is kindly informed that the actions will be taken to clear the shortages and excesses. The papers relevant to write off the deficits in stamps worth Rs. 2,184,000 have been prepared and submitted and it is kindly informed that actions will be taken to write off losses and damages soon after the approval of the Ministry is received. | Necessary steps should be taken to correct the deficits and excesses. |
| (d) | The number of lands located post offices which were not taken over properly by the Department as at the date of 31 December 2021 was 421. | It is kindly informed that formal taking over of the lands of post offices is being carried out speedy. | The ownership of the post offices should be ensured. |

4. **Human Resource Management**

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
(a) As the approved cadre for the post of Deputy Postmaster General was 09 and the actual cadre was 11, the number of recruitments exceeding the approved cadre was 02.	The number of approved posts of Deputy Postmaster General was 13 and according to the Public Administration Circular No. 06/2006, 02 officers had been qualified for the post of Deputy Postmaster General. Since the officers who were qualified for the posts in Sri Lanka Administrative Service had not applied for the 02 vacant posts, qualified officers in the Department had to be employed. Accordingly, it is indicated that the number of posts is 11.	Actions should be taken either to fill vacancies or to revise the approved cadre.

(b) A number of 2,164 vacancies existed in the other grades and services of the Department and it had been included 62 vacancies in the senior level. Those vacancies had been failed to fill even in the year under review.

The approved cadre of the Postal Service Officer grade-I is 876. As all the officers qualified for the grade-I have to be promoted according to the Public Administration Circular No. 06/2006, promotions have to be given exceeding the approved cadre. Although interviews were held in order to recruit for the 75 per cent of the vacancies at the senior level, it had been halted due to a court action. 18 posts in grade III of executive service category have been sent for approval after completing the interviews.

The vacancies in the post of Senior Superintendent of Posts are unable to fill as the required service period has not been completed. A cabinet memorandum has been sent for obtaining the approval for reducing the service period.

Actions should be taken either to fill vacancies or to revise the approved cadre.