

Head 308 - Department of Posts - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 308 -The audit of the financial statements of the Department of Posts for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 Posts was issued to the Accounting Officer on 23 May 2025 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 30 May 2025 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report.

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 Emphasis of matter Basis for preparing financial statements

The attention is drawn to Note 1 to the financial statements which describe the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Department of Posts, the Treasury and the Parliament in accordance with Government Financial Regulations 150 and 151 and Government Accounting Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Posts, the Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view In accordance with Government Financial Regulations 150 and 151 and State Accounts Guideline No.06/2024 dated 16 December 2024 as amended on 21 February 2025 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 annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.5 Auditor's Responsibility on Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised 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 its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- 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.

The Chief Accounting Officer /Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Receipts of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
i. Even though the Department had prepared and submitted accounts to foreign postal administrations, the outstanding revenue balance which had not been approved by those postal administrations at the end of the year under review was Rs. 355,410,140 and it had ranged from a period of 01 to 08 years.	Actions should be taken to investigate the for the delay in approving the relevant revenues by the relevant Foreign postal administrations	An amount of Rs. 216,938,844 has been approved from the unapproved arrears of revenue as of 30 April 2025 and an amount of Rs. 138,471,295 is yet to be approved. It is stated that actions will be taken to get the arrears of revenue approved by sending constant reminders to the countries where the arrears of revenue have not been approved and by investigating the matter.
ii. The ACA-1 income statement shows that the refunds in cash were Rs. 11,861,687 and the rectifications were Rs. 13,785,759, amounting to total of the refunds Rs. 25,647,446, out of which the approved refunds were Rs. 1,140,173 and the rectifications were Rs. 4,393,293, making the total value of the refunds Rs. 5,533,466. Accordingly, approval for refunds of Rs. 20,113,980 had not been given.	Actions should be taken to obtain the approval for refunds and rectifications from revenue.	Officials have been informed to make payments after obtaining approval through the General Form 29 in the future.

(b) Reconciliation statement on the advance account for Public officers

Audit Observation	Recommendation	Comments of the Accounting Officer
i. The individual loan balance in the the Anuradhapura District Accounts Office was Rs. 111,787,510 as on 31 December 2024 and the balance in the control account on that date was Rs. 115,008,249. There was an unreconciled balance of Rs. 2,483,221 as an individual loan balance which could not be identified without taking actions to identify the loan balances in the statement prepared for the comparison of the said loan balances.	Actions should be taken to reconcile the individual loan balance with the control account balance.	It was stated that the accounts are being re-examined regarding the unreconciled balance of Rs. 2,483,221 in the Anuradhapura District Accounts Office and actions will be taken to resolve the errors expeditiously.

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| ii. | There had been an accounting error of Rs. 749,440 existing in the Kalutara District Accounts Office for many years and it had not been identified and corrected in the accounts as of 31 December 2024. | Actions should be taken to correct the accounting deficiencies. | Necessary actions are being taken to resolve the accounting error after obtaining instructions. |
| iii. | A financial fraud worth Rs. 1,295,400 had been revealed in the Kalutara District Accounts Office occurred 11 years ago and actions had not been taken to settle a balance of Rs. 1,145,850 even by 31 December 2024. Even though this was pointed out in the audit reports of previous years, the department had not taken any action in respect of it. | Action should be taken to identify the responsible parties. | Actions are to be taken to submit this loan balance to the department's debt write-off committee. |
| iv. | The outstanding loan balance due from deceased, retired, suspended, resigned and other officers was Rs. 61,225,431 at the end of the year under review, of which the outstanding balance of loan for more than 05 years was Rs. 20,679,788. | Action should be taken to recover outstanding loan balances. | Actions are being taken to recover outstanding loan balances. |

(c) Non- compliance with Laws, Rules and Regulations

	Audit Observation		Recommendation	Comments of the Accounting Officer
	Reference to the Laws, Rules, Regulations etc. the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Value Rs. Non- compliance		
i.	Sections 2.1, 3.1, 3.3, 3.5, 3.6 of Chapter VIII and Public Administration Circular No. 09/2009 dated 16 April 2009	7,024,144	Although a fingerprint machine had been installed, the department had paid overtime of Rs. 7,024,144 for employees who left the postal headquarters at	Action should be taken as per the relevant provisions of the Establishments Code and Public Administration Circular No. 09/2009 dated 16
				Essential and urgent tasks currently have to be carried out on an overtime basis due to the 1651 vacancies of postal service officers in the

			4.15 p.m. and April 2009.	department.
			considering that they worked up to 7, 8, 9 and 10 p.m. without considering their arrival and departure times. The audit was unable to verify the accuracy of the overtime allowance payments due to this fact.	
ii.	Sections 2.1, 3.1, 3.3, 3.5, 3.6 of Chapter VIII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Public Administration Circular No. 09/2009 dated 16 April 2009	1,030,910,731	When a fingerprint machine had not been installed, Rs. 651,149,689 to 28,403 employees of the Central Postal Exchange from January 2023 to 31 May 2024, Rs. 4,067,021 to 07 employees of the Controller's Office from 01 January 2020 to 31 May 2024, Rs. 373,874,705 to 14 District Accounts Offices from January to June 2024 and without considering the arrival and departure times of the fingerprint machine and Rs. 1,819,316 to 15 employees of the Postal Transport Division from January to May 2024, totaling Rs. 1,030,910,731 had been paid as overtime allowances.	All public institutions should maintain records of the attendance and departure of officers to and from the office using fingerprint machines as per the relevant provisions of the Establishments Code and Public Administration Circular No. 09/2009 dated 16 April 2009. If time-based allowances such as overtime and holiday pay are paid after regular working hours, such time should be verified through fingerprint machines.
				Essential and urgent tasks are currently required to be carried out on an overtime basis due to the 1651 vacancies existing of the postal service officers in the department.

2. Financial Review

2.1 Revenue Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the revenue estimates and revised revenue estimates should be prepared in a realistic and accurate manner as per the provisions of F.R.85(1) and F.R. 85(2), the adverse variance of 21 revenue categories of the Department ranged from Rs. 666,310 to Rs. 473,524,039 while the favorable variance of 16 revenue categories ranged from Rs. 1,610,499 to Rs. 1,090,364,358.	Actions should be taken to prepare revenue estimates realistically and accurately.	It has been stated that facts such as the accounting of postal service fee income for the Presidential and Parliamentary General Elections, the commencement of the new agent service in mid-2024, the increase in revenue due to promotional activities conducted under the Marketing Division, etc. were not included in the estimate at the time of preparation and that the decrease in estimated income was due to factors such as consumers becoming accustomed to alternative methods such as e-mail, business establishments providing e-bills, fluctuations in foreign exchange rates, reduction in electricity bill rates and resorting to online methods.

2.2 Expenditure Management

Audit Observation	Recommendation	Comments of the Accounting Officer
i. Provisions of Rs.163,508,097 had been left in 04 objects for which transfers of provisions were made under F.R. 66. Further, provisions had also been obtained through the supplementary estimate for object 308-02-01-1003 included in this.	Expenditures related to objects should be accurately estimated and allocations should be obtained.	That the savings have occurred due to the fact that expenses were not incurred as expected by 31 December 2024 and the Railway Department did not account expenses as expected.
ii. A total of Rs. 2,430,343,189 has been left over from 15 recurrent objects and 08 capital objects which ranged from 10 per cent to 99 per cent due to the receipt of over-allocations.	Annual expenditures related to objects should be accurately estimated and allocations should be obtained.	Provisions have remained as of 31 December 2024 as expenditures were not incurred as expected.

2.3 Entering into Commitments and Liabilities

	Audit Observation	Recommendation	Comments of the Accounting Officer
i.	An outstanding liability value of Rs. 1,459,584 identified in the year 2022 remained as at 31 December 2024. Further, out of these values, 9 items worth Rs. 1,024,884 had been removed from the final account even though they were in the CIGAS program.	Actions should be taken to settle all liabilities as scheduled	Actions have been taken to inform the relevant officials to ensure that such errors do not occur in the future.
ii.	Although it had been stated that the commitments and liabilities uploaded from the new CIGAS web page should be included as per the Annex (III) of the formats to be used in the preparation of financial statements as per paragraph 06 of the Public Accounts Department Circular No. 06/2024 dated 16 December 2024 and Section 4.8 of the Public Accounts Department Circular No. 05/2024 dated 20 November 2024, action had not been taken in respect of Rs. 500,312,809 as per F.R. 94(2)(3).	Actions should be taken to include the commitments and liabilities uploaded from the new SIGAS web page in the financial statements as per Section 06 of Public Accounts Department Circular No. 06/2024 dated 16 December 2024 and Section 4.8 of Public Accounts Department Circular No. 05/2024 dated 20 November 2024,	It was not possible to include the amount of Rs. 500,312,809 as commitments and liabilities in the CIGAS system due to insufficient provisions for the year 2024.
iii.	The liabilities of Rs. 434,700 included in the CIGAS program are payable to the Government Printing Department and those have been double-counted in the CIGAS program. Further, those liabilities in the CIGAS program are values that exist from the years 2022 / 2023 and those values had been also identified as commitments in the year 2024.	All liabilities should be properly identified under the liabilities statement and in the financial statements.	Actions should be taken to inform the relevant officials to ensure that such errors do not occur in the future.
iv.	The liabilities of Rs. 30,610,050 identified for the CIGAS program had not been recognized under the statement of liabilities in the financial statements as of 31 December 2024.	All commitments and liabilities Should be accurately recognized in the financial statements.	Actions should be taken to inform the relevant officials to ensure that such errors do not occur in the future.

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| v. | Although the expenditure for liabilities worth Rs. 1,254,870 relating to the year 2024 were incurred in the year 2025, those had not been recognized as liabilities in the account. | Commitments and liabilities
Should be accurately recognized in the financial statements. | Actions will be taken to avoid such things in the future. |
| vi. | Although commitments and liabilities were to be reached in accordance with Financial Regulation 94(1), the Department had reached the commitments and liabilities of Rs. 21,665,612 exceeding the provisions of 06 objects. | Actions should not be taken to reach commitments or liabilities in excess of the provisions in accordance with Financial Regulation 94(1),. | Efforts will be made to enter into accurate commitments and liabilities as per the guidelines provided in National Budget Circular No. 01/2024. |
| vii. | .Although it has been stated that commitments should be made to incur expenses only within the limits of the provision allocated for overtime allowances under the object No. 308-02-01-1002 under the budget circular No. 01/2024 and although the provision balance for the year 2024 is Rs. 1,641,680, the value of commitments and liabilities is Rs. 6,574,295. Accordingly, the value that exceeded the provision was Rs. 4,932,615. | Action should be taken in terms of 2.2.1 of Budget Circular No. 01/2024. | Efforts will be made to enter into accurate commitments and liabilities as per the guidelines provided in National Budget Circular No. 01/2024. |
| viii. | Although all commitments and liabilities should be properly consolidated and reported to the Treasury through the Treasury Information System and the new CIGAS Account Information System as per the National Budget Circular No. 01/2024 (12),the liabilities of Rs. 500,312,809 as stated under Annex IV had not been identified. | All commitments and liabilities should be reported to the Treasury through the new CIGAS accounting information system in accordance with National Budget Circular No. 01/2024 (12). | Efforts will be made to enter into accurate commitments and liabilities as per the guidelines provided in National Budget Circular No. 01/2024 in the future,. |

2.4 Deposits

Audit Observation	Recommendation	Comments of the Accounting Officer
i. The retention amount held for repayment on behalf of third parties (13/39) was Rs. 6,260,888 at the end of the year under review, of which Rs. 390,616 was deposits that were over 02 years old and action had not been taken as per F..R. 571 in that regard.	Actions should be taken to credit the deposits exceeding 02 years to government revenue in accordance with F.R.571.	Actions have been taken to credit to the government revenue in the year 2025.
ii. Performance bonds worth Rs. 4,331,100, which were obtained in relation to 03 procurement activities carried out in the year 2021, had been retained in the General Deposit Account even by 31 December 2024 without being credited to the Government Revenue.	If the procurement activities have been completed and the relevant institutions do not submit request letters, actions should be taken to credit to the to the state revenue.	Actions have been taken to credit to the government revenue in the year 2025.

2.5 Bank accounts management

Audit Observation	Recommendation	Comments of the Accounting Officer
An amount of 14,436,227 in outstanding cheques for more than 6 months in 30 bank accounts in 14 District Accounts Offices, Central Mail Exchange, Stamp Bureau and the Head Office, an amount of Rs. 61,199,823 as unidentified payments and a sum of Rs. 275,924,776 as unidentified receipts remained .	In respect of cheques not presented for payment, as per F.R.396 (d), i.e. if the cheque has not been cashed for more than 06 months from the date of issue or validation of the cheque and any reply has not been sent to the letters, such cheques should be cancelled and the value of the cheques should be recorded in the prescribed ledgers as a debt to be paid.	Actions will be taken to submit a report immediately after inspection.

3. Operational Review

3.1 Planning

	Audit Observation	Recommendation	Comments of the Accounting Officer
i.	The allocated funds for 10 projects had been exceeded according to the progress report of the department's 2024 action plan, the allocated funds for 10.	Provisions should be estimated accurately and expenditure should be incurred within the estimated provision limit.	Letters have been submitted to the relevant provincial Deputy Postmasters regarding the expenditure of the provisions allocated for the 10 projects mentioned in the 2024 Action Plan.
ii.	According to the progress report on the Department's 2024 Action Plan, the total number of projects planned to be implemented during the year was 216, of which only 133 projects had been completed.	Planned tasks should be completed within the specified time.	A Sufficient answer has not been provided

3.2 Procurements

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	The Department had printed 500 copies of the publication Miniature Sheets of Sri Lanka in 2015 at a cost of Rs. 4,860 per copy, for a cost of Rs. 2,430,000 and since the number of souvenir sheets used to create one publication was 118, the number of souvenir sheets used for 500 publications was 59,000. The value of the souvenir sheets in one publication was Rs. 8,244 and the total cost of the souvenir sheets was Rs. 4,122,125. In addition to these expenses, an amount of Rs. 6,415 had also been spent on the purchase of souvenir sheet holders. However, it was observed during the inspection carried out by the Audit on 13 March 2024 that any publication printed at a cost of Rs.6,552,125 and 6,415 euros had been sold. Those publications had been sealed and stored in a cupboard. It was observed according to the report submitted by the Chief Internal Auditor that there were 482 publications in that cupboard and accordingly, there was a shortage of 18 publications.	Responsible parties should be identified as per financial regulations and appropriate action should be taken accordingly.	Investigations are being carried out by the Bribery and Corruption Commission.

3.3 Assets Management

	Audit Observation	Recommendation	Comments of the Accounting Officer
i.	Although an expenditure of Rs. 62,900,000 had been incurred for the construction of a single-storey building for the Polonnaruwa Post Office under the object of Buildings and Construction (308-02-01-2104), this asset item had not been included in the statement of non-financial assets as of 31 December 2024.	Actions should be taken to include the value of this asset item in the non-financial asset statement as of 31 December 2024.	Steps have been taken to include the single-storey building constructed for the Polonnaruwa Post Office at a cost of Rs. 62,900,000 in the CIGAS program.
ii.	Although the value of the building as at 31 December 2024 was Rs. 2,395,758,600 in the Non-Financial Assets Account Report (SA-82) of the year under review, since a sum of Rs. Rs. 2,200,000, the value of the Modara Post Office building had been double calculated, that value had been overstated by Rs. 2,200,000 as per the schedules submitted.	The accounts should be prepared accurately by comparing the non-financial asset accounting report and schedule.	Actions were taken to correct the double listing of the Modara Post Office and after the error is corrected, the value of the building as of 31 December 2024 is Rs. 2,393,558,600.
iii.	181 vehicles have been assessed as of 31 December 2024 and the overstatement in value of Rs. 80,033,122 has not been included in the CIGAS program. Out of those 181 vehicles, the value of 05 vehicles is not included in the CIGAS program and 02 vehicles not mentioned in the list of vehicles had also been assessed.	The increase in assessed value should be included in the CIGAS program and the value of the 05 vehicles should also be included in the CIGAS program.	Actions were taken to include in the CIGAS program as at 31 March 2025.
iv.	The Minuwangoda Post Office building had been valued at Rs. 2,600,000 and the Udugampala Post Office at Rs. 3,800,000 in 2023 and those had not been included in the CIGAS program. It was further observed that the assessed value of the Udugampala Post Office has not been included in the non-financial asset balance and it is a post office that has not been formally taken over.	The assessed value should be included in the CIGAS program and actions should be taken to take over the post offices that have not been formally acquired properly and include the assessed value in the non-financial asset balance.	Answers have not been provided.

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| v. | The Department had not formally acquired 333 post offices and the lands of 04 major institutions by 31 December 2024 and 15 lands and buildings that had been acquired but not assessed were still in existence. Although 04 buildings and 02 lands where major institutions are located have been acquired, those have not been valued and identified as non-financial assets as of 31 December 2024. | Actions should be taken to acquire those formally and value and reflect the assets acquired in the financial statements. | It has been informed that the transfer process will take some time depending on the efficiency and legal conditions of the institutions involved in land acquisition and the relevant lands and buildings are in the valuation stage and the unacquired lands have been surveyed and formal applications have been made for acquisition and the acquired lands and buildings have not been accounted in the CIGAS program and these assets are in the valuation stage. |
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3.4 Losses and Damages

	Audit Observation	Recommendation	Comments of the Accounting Officer
i.	Although a value of Rs. 4,052,263 had been recognized as write-offs in the statement of loss recovery/write-off and waivers during the year upon approval of the year 2024, the value recognized in the financial statement was Rs. 3,423,311. Accordingly, a value of Rs. 628,952 had not been recognized.	Value recognized for write-off as damages and losses should also be accurately recognized in the financial statements.	Relevant data are being collected and a complete response will be submitted after all data are obtained.
ii.	A balance of Rs. 12,618,011 remained to be recovered, comprising Rs. 138,570 for less than 05 years, Rs. 542,260 for between 05 and 10 years and a balance of Rs. 11,937,179 for more than 10 years as of 31 December 2024 .	Action should be taken to recover the amount and action should be taken in accordance with F.R.109 if recovery is not possible.	The investigation and legal proceedings regarding these losses and damages have not been completed and it is not possible to write off the losses as per F.R. 109 due to deficiencies in the files.

3.5 Management Weaknesses

	Audit Observation	Recommendation	Comments of the Accounting Officer
i.	The amount of Rs. 1,417,632 paid by contributors to the pension schemes operated by the Sri Lanka Social Security Board had not been repaid to the Social Security Board from 1,318 post offices by 01 October 2024.	The money paid by the relevant contributors should be sent to the Social Security Board.	An amount of Rs. 445,519 has already been paid.

- ii. The Department of Posts had entered into a Memorandum of Understanding with Mihikatha Import and Export Company on 03 August 2023, to distribute the company's goods through the Department of Posts' postal courier service (SL Post Courier & COD). Although it had been agreed to charge domestic express service charges as postal charges in terms of the Memorandum of Understanding, 47,510 parcels had been delivered under the Sri Lankan Parcel Post. Further, although the Memorandum of Understanding had been amended, approval had not been obtained for that purpose. The fee charged per parcel under the Sri Lankan Parcel Service is Rs. 150 and accordingly, the Postal Department had incurred a loss of Rs. 2,375,800 due to the distribution of 47,510 parcels received from Mihikatha Import and Export Company under the normal parcel service through the Sri Lankan Parcel Division.
- Actions should be taken to identify the parties responsible for violating the terms of the Memorandum of Understanding.
- 47,510 parcels handed over by the Mihikatha Institute have been dispatched under normal parcel post.