

Report of the Auditor General on Head 181

Ministry of Productivity Promotion and the Department under the Ministry – Year 2013

This Report Comprises two Parts.

- Part 1 - Summary Report on the Accounts of the Ministry and the Department under the Ministry
- Part 2 - Detailed Report on each Head

Part 1

Summary Report on the Accounts of the Ministry of Productivity Promotion and the Department under the Ministry

1. Department under the Ministry

<u>Head</u>	<u>Department</u>
328	Department of Man Power and Employment

2. Accounts

2:1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs.652,300,000 and out of that a sum of Rs.567,393,914 had been utilized by the end of the year under review. Accordingly, provisions out of the net provisions of the Ministry and the Department amounting to Rs.27,548,512 and Rs.57,357,574 respectively had been saved. That represented 8 per cent and 20 per cent respectively of the net provision. Details appear below.

Head	<u>As at 31 December 2013</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
181	365,100,000	337,551,488	27,548,512	08
328	287,200,000	229,842,426	57,357,574	20
Total	652,300,000	567,393,914	87,906,086	13
	=====	=====	=====	

2:2 Advance Accounts

2:2:1 Advances to Public Officers Accounts

Limits Authorized by Parliament

The limits authorized by the Parliament for the Advances to Public Officers Accounts of the Ministry and the Department under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	<u>Maximum Limit</u> Rs.	<u>Actual</u> Rs.	<u>Minimum Limit</u> Rs.	<u>Actual</u> Rs.	<u>Maximum Limit</u> Rs.	<u>Actual</u> Rs.
18101	7,500,000	5,758,444	1,300,000	3,562,453	17,500,000	15,153,881
32801	20,000,000	19,300,290	8,000,000	8,495,407	73,000,000	43,531,688

2:3 Imprest and General Deposit Accounts

2:3:1 Imprest Accounts

The balance of the Imprest Account of the Department of Man Power and Employment as at 31 December 2013 amounted to Rs.6,518,790.

2:3:2 General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2013 totalled Rs.3,301,281. Details appear below.

Ministry/Department	Deposit Account Number	Balance as at 31 December 2013
-----	-----	-----
		Rs.
Ministry of Productivity Promotion	6000/0000/00/015/0181	3,252,137
Department of Man Power and Employment	6000/0000/00/0011/15185	49,144
Total		3,301,281
		=====

Part 2

Detailed Report on each Head

1. **Head 181 – Ministry of Productivity Promotions**

1:1 **Scope of Audit**

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Productivity Promotion for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154(1) of the Constitution in the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 17 September 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1:2 **Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements**

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 **Audit Observation**

According to the Financial Records and the Books for the year ended 31 December 2013 it was observed that except for the effects of the general observations appearing at (a) to (c) and other major audit findings appearing in paragraphs 1:4 to 1:11 herein, the Appropriation Account, and the Reconciliation Statement of the Ministry of Productivity Promotions had been prepared satisfactorily.

(a) Lack of Audit Evidence

The registers that can be accepted in support that the sum of Rs.429,808 spent as hire charges and cost of fuel for a motor vehicle procured on hire basis under Objects 181-1-2-1202 and 1401 had actually been utilized for official travel had not been with the Ministry.

(b) Budgetary Variance

The following observations are made.

- (i) The total net provisions amounting to Rs.2,500,000 made for 04 Objects had been saved.
- (ii) Excess provisions had been made for 10 Objects, and as such the savings, after the utilization of provisions, ranged between 12 per cent to 98 per cent of the net provisions relating to the respective Objects.
- (iii) The additional provisions totalling Rs.2,435,865 obtained for 08 Objects under the Virement Procedure had been underutilized even by the end of the year.

(c) Imprest Account

Unspent balances ranging from 15 per cent to 100 had been settled out of advances amounting to Rs.292,689 obtained without proper planning in 33 instances.

1:4 **Assets Management**

The following deficiencies were observed during the course of the audit test checks of the assets of the Ministry.

(a) Conduct of Annual Boards of Survey

According to the Public Finance Circular No.441 of 09 December 2009 as amended by letter No.PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance, the Annual Board of Survey for the year should be conducted and the reports thereon should be furnished to the Auditor General before 31 March 2014. Nevertheless, the Reports of the Boards of Survey had been presented only on 02 June 2014 and 14 November 2014.

(b) Unsettled Liabilities

The unsettled liabilities of the Ministry as at 31 December 2013 amounted to Rs.42,805,770 and those related to a period less than one year.

1:5 **Non-compliances****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.

	Reference to Laws, Rules and Regulations	Value	Non-compliance
	-----	-----	-----
		<u>Rs.</u>	
(a)	<u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>		
(i)	Financial Regulation 715(2)	--	The major duties relating to the acceptance, custody and issue of stores had not been properly executed through the Stores Officer.
(ii)	Financial Regulation 751(1)	5,516,639	Stores obtained in 52 instances during the years 2012 and 2013 had not been taken on charge in the Stock Books. Any evidence that such stores had been purchased and received into the stores had not been furnished to audit.
		12,158,148	None of the issues of stores in the year 2012 and from January to 17 October 2013, the date of audit had been entered in the Stock Book. As such it was not possible to establish the accuracy of the physical stock available on the date of inspection.
(iii)	Financial Regulation 1647(b)	--	The Reports of Board of Survey of motor vehicles which should be presented to the Auditor General in terms of Financial Regulation 757(2) had not been presented.

1:6 **Performance****Action not taken according to the Annual Action Plan**

It was observed that action in accordance with the Action Plan had not been taken in the following instance.

According to the Action Plan for the year 2013 furnished by the National Productivity Secretariat, 1,121 activities had been planned for completion during the first 03 quarters of the year under review and the estimated value amounted to Rs.52.125 million. The National Productivity Secretariat had not taken action to execute 623 activities out of those. In addition 03 activities had not been executed. The achievement of physical targets of the activity of which the targeted expenditure amounted to Rs.2 million (100 per cent) as at the end of the third quarter had been only 15 per cent.

1:7 **Transactions of Contentious Nature**

Certain transactions entered into by the Ministry had been of contentious nature. Particulars of several such transactions revealed at test checks are given below.

- (i) The Ministry had entered into an agreement for Rs.2,357,194 (inclusive of Value Added Tax) with the institution concerned for the purchase of computers and accessories. The institution had supplied certain items out of those goods after a delay of maximum 7 weeks. In this connection, the Secretary to the Ministry had ordered the recovery of a sum of Rs.90,318 as the liquidated damages for the delay. A sum of Rs.50,285 out of the liquidated damages only had been recovered from the payments made to the supplier. The reason for the under-recovery of liquidated damages by a sum of Rs.40,033 or the approval for that had not been furnished to audit.
- (ii) It had been decided to hire a motor vehicle for Rs.40,000 per month and hire charges amounting to Rs.400,000 had been paid during the year. The Ministry had not entered into an agreement with the owner of the motor vehicle in connection with its maintenance, payments for additional running, usage of fuel, etc.

1:8 **Irregular Transactions**

Certain transactions entered into by the Ministry had been devoid of regularity. Several such instances observed are given below.

(a) Deviation from the Procurement Guidelines Procedure

The following observations are made.

- (i) According to the Minutes of the Procurement Committee meeting held on 30 September 2011, the purchase of computers and accessories valued at Rs.2,537,194 had been treated as an urgent requirement and had decided to purchase from the State Trading General Corporation Ltd. without inviting bids under the direct contract method in terms of Guideline 3.5 of the Government Procurement Guidelines. Certain goods ordered had been

- supplied after a delay of 7 weeks. As such the decision to procure by deviating from competitiveness based on urgency is questionable.
- (ii) The Ministry had selected a procurement in an inconsistent system as referred to in (1) above for the purchase of goods. As such the possibility of the purchase of quality goods at competitive prices had been lost. The Ministry had not taken action for the achievement of the objectives set out in Guideline 1.2 of the Government Procurement Guidelines.
 - (iii) Furniture valued at Rs.1,959,079 and Rs.965,130 had been purchased during the year by inviting quotations from four institutions by indicating only the items of goods without stating the specifications contrary to Guideline 5.6.1 of the Government Procurement Guidelines.
 - (iv) According to Guideline 2.8.1 of the Government Procurement Guidelines, a subject specialist should be included in the Technical Evaluation Committee for the purchase of furniture. But such an officer had not been appointed to the Committee.
 - (v) According to Guideline 3.4.2(a) of the Government Procurement Guidelines, requests for quotations for the purchase of furniture should have indicated the warranties. It had not been so done and those matters were considered at the time of selecting the contractors thus resulting in an obstruction for the selection of the best bidder.

1:9 **Losses and Damage**

The observations on losses and damage observed during the course of audit test checks are given below.

- (a) The total loss caused by accidents to 3 motor vehicles during the year amounted to Rs.423,560 and a sum of Rs.356,217 only had been received as insurance indemnity. Action for the recovery of the loss of Rs.67,243 caused to the Government, from the individuals responsible had not been taken even by 06 June 2014, the date of audit.
- (b) A loss of Rs.7,686,367 had been caused due to an accident to a motor vehicle belonging to the Ministry and action for obtaining insurance indemnity or for the recovery of the loss from the parties responsible had not been taken despite the elapse of 09 months.

1:10 **Management Weaknesses**

Even though an internal control system had been introduced for the issue of stationery from the stores, an examination of issues made on applications for stationery on a sample of 15 days revealed that the approving officer, the storekeeper and the officer receiving the goods had not signed all the applications.

1:11 **Human Resources Management**

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2013 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	15	11	04
(ii)	Tertiary Level	02	05	02
(iii)	Secondary Level	799	615	184
(iv)	Primary Level	24	20	04
(v)	Others (Casual/ Temporary/ Contract Basis)	04	01	03
		----	----	----
	Total	844	647	198
		====	====	====

The Ministry had not taken action for filling 197 vacancies even by the end of the year under review.

2. **Head 328 – Department of Man Power and Employment**

2:1 **Scope of Audit**

 The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Man Power and Employment for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154(1) of the Constitution in the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General of the Department on 19 November 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2:2 **Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements**

 The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the

Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2:3 **Audit Observation**

According to the Financial Records and the Books for the year ended 31 December 2013 it was observed that except for the effects of the general observations appearing at (a) to (d) and other major audit findings appearing in paragraphs 2:4 to 2:13 herein, the Appropriation Account, and the Reconciliation Statement of the Department of Man Power and Employment had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

It was observed during the course of audit test checks that the Department had not maintained the following registers while certain registers had not been maintained in the proper and updated manner.

Type of Registers -----	Relevant Regulation -----
Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
Register of Assets on Computers, Accessories and Software	Treasury Circular No.1A1/2002/02 of 28 November 2002
Leave Register	Chapter XII Section 1.7 of the Establishments Code

(b) Lack of Evidence for Audit

Transactions totalling Rs.171,014,619 could not be satisfactorily vouched in audit due to the unavailability of the required evidence with the Department.

(c) Budgetary Variance

Excess provisions had been made for 19 Objects and as such the savings, after the utilization of provision, ranged between 8 per cent to 99 per cent of the net provisions relating to the respective Objects.

(d) Advances to Public Officers Account

The following observations are made.

- (i) According to the Reconciliation Statement of the Advances to Public Officers Account Item No.32801 as at 31 December 2013, the balances that remained outstanding as at that date totalled Rs.460,322. The follow-up action on the recovery of those outstanding balances had been at a weak level.

- (ii) The balances of property loans, motor vehicle loans, distress loans, festival advances and other loans granted by the Department to 340 officers, as at the end of the year under review totalled Rs.43,056,162. The CC10 Loan Register had not been updated and as such the correctness of the interest on loans recovered in each month and whether the 40 per cent recovery limit in granting loans had exceeded could not be examined easily.

2:4 Assets Management

The following deficiencies were observed during the course of the audit test check of the assets of the Department.

(a) Idle and Underutilized Assets

It was observed during the course of audit test checks that assets as analyzed below had been either idle or underutilized.

- (i) The Accession Register containing the particulars relating to 2,088 books of the library valued at Rs.1,019,472 had not been updated since 14 October 2009. All books including 241 books valued at Rs.98,763 purchased for the library on 31 December 2013 had been piled up and idling in a room.
- (ii) Twenty one items of fixed assets of 5 categories including laptop computers, monitors, CPUs, multi-media projects not in working order had been retained in the Department for about 04 years. Action in terms of the Public Finance Circular No.438 of 13 November 2009 had not been taken for the disposal of those assets.

(b) Unsettled Liabilities

The unsettled liabilities of the Department as at 31 December 2013 amounted to Rs.220,069 and liabilities of two objects amounting to Rs.28,059 had not been shown in the Appropriation Account.

2:5 Non-compliances

Non-compliances with Laws, Rules, Regulations etc.

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
-----	-----	-----
	<u>Rs.</u>	
(a) <u>Establishments Code of the Democratic Socialist Republic of Sri Lanka</u>		
(i) Section 4.4 of Chapter XXIV	17,359	Even though a request to the Director General of Pensions should have been

made forthwith for the recovery of the balance of the flood advance that remained recoverable from an officer of the Department who had died on 28 August 2012 from the moneys payable to the heirs, it had not been so done.

- | | | | |
|--|---|---------|---|
| (ii) | Section 1.9 of Chapter XII | -- | Action had not been taken to record 1,417 leave applications of 128 officers of the Department in respect of the period from March to September 2014 in the Leave Register. |
| (b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> | | | |
| (i) | Financial Regulations 137 and 237(b) | 362,320 | The total bill for the printing of 10,000 copies of a magazine of the year under review had been paid to a private supplier institution on 31 December 2013. Although the printed magazines had been received by the Department on 09 April 2014, it was observed that the approval and certification of the payment had been made without the supply being received correctly. |
| (ii) | Financial Regulation 756 | -- | The library books had not been subjected to a survey during the last decade. |
| (c) <u>Public Administration Circulars</u> | | | |
| | Circular No.09/2009 of 16 April 2009 | -- | Even though the full responsibility for carrying out repairs to the finger printing machine had been assigned to the private company concerned up to 30 September 2013, action had not been taken to get the machine which had been out of order for more than 07 months or to take legal action against the institution in accordance with the agreement. |
| (d) <u>National Budget Circulars</u> | | | |
| | Paragraph 1.1.7 of Circular No.118 of 11 October 2004 | 460,321 | Even though action should be taken to desist from showing the loan balances of officers in the Advance Account after the elapse of 03 months after the transfer of officers, the loan balances of 05 officers transferred over 03 months ago had been included in the Advance Account. |

2:6 Weaknesses in the Implementation of Projects

 The deficiencies revealed at the sample audit examination of the Rekiya Piyasa Office are given below.

The approval of the Cabinet of Ministers had been granted under the Cabinet Memorandum No.CM/11/0882/556/006 for the grant of additional provision of Rs.10 million in the year 2011 for the settlement of financial commitments in the restructure of the Rekiya Piyasa and for the inclusion of provisions for other requirements from the year 2012 in the Annual Budget Estimates under the Medium Term Budgetary Framework. The following observations are made in this connection.

- (a) Payments of Rs.9,391,134 for settlement of the liabilities had been made without invoices, bills and other ancillary evidence and none of the matters to be considered by the officers making payments in accordance with Financial Regulations 137, 138 and 139 had been considered.
- (b) Even though the Department had taken action for the settlement of the financial commitments of the year 2011, immediately after the takeover of the fixed assets valued at Rs.18,248,231 appearing in the balance sheet of the Rekiya Piyasa which was a company limited by guarantee, the Department had not taken action to conduct a Board of Survey of the assets in terms of Financial Regulation 756, enter those assets in a register in terms of Financial Regulation 751, identification of the value and for furnishing the report thereon to the Auditor General even by 01 October 2014.
- (c) Even though the computers including the "Server" taken over by the Department on the takeover of the Rekiya Piyasa had been in working order, the Department had failed to maintain those in working order.

2:7 Performance

----- Key Functions not executed Adequately

 Out of the 55 Projects and Programmes targeted by the Department, action had not been taken for the achievement of targets of 25 or 45 per cent of those activities. Out of the provisions amounting to Rs.24 million made during the year for those projects, a sum of Rs.17.9 million had been spent and the savings amounted to Rs.6.1million or 25 per cent.

2:8 Deficiencies in the Operation of Bank Accounts

----- Balances for Adjustment

 According to an analysis of the adjustments made in the Bank Reconciliation Statements for December 2013 prepared by the Department revealed that action in terms of Financial Regulation 396(d) had not been taken on 07 cheques valued at Rs.221,335 not presented for payment for more than 06 months.

2:9 Transactions of Contentious Nature

 Certain transactions entered into by the Department had been of contentious nature. The particulars of such a transaction revealed during the course of audit test checks are given below.

- (a) Eight categories of Handbooks for the Vocational Guidance Programmes conducted by the Human Resources Officers of the Department for 317 District Secretariats and Divisional Secretariats situated Island-wide had been printed at a cost of Rs.765,268.
- (b) Designing, Printing and distribution of the Handbooks had been at a very weak level and the data and information in the Handbooks had been older than 05 years.

2:10 Losses and Damage

 Thirty seven officers of the Department had borrowed 129 books valued at Rs.41,945 from the library from the year 2005 to the year 2011 and those books had not been returned. The value of 14 of those books had not been made available to audit.

2:11 Uneconomic Transactions

 A sum of Rs.551,212 had been paid as rent of 20 months for the room used for storing of the books of the library which had been maintained up to 31 December 2013. It was observed as an uneconomic expenditure.

2:12 Management Weaknesses

 Despite the availability of 91 packets of photocopy paper in the stores as at 31 December 2012, a stock of 900 packets had been purchased for Rs.463,380 during the year. Out of the balance 91 packets of the preceding year only 11 packets had been issued up to 01 October 2014, the date of audit. As such 80 packets of paper valued at Rs.41,190 could face the risk of outdated.

2:13 Human Resources Management

----- Approved Cadre and Actual Cadre -----

The position of the cadre as at 31 December 2013 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	13	09	04
(ii)	Tertiary Level	02	--	02
(iii)	Secondary Level	673	543	130
(iv)	Primary Level	14	10	04
		----	----	----
	Total	702	562	140
		====	====	====

The following observations are made.

- (i) The Department had not taken action to fill 140 vacancies by the end of the year under review.
- (ii) Even though the Department had established a library approval for the post of a Librarian had not been obtained.