

11. Head 11 – Office of the Finance Commission

11.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Office of the Finance Commission for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Commission on 27 November 2013. 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.

11.2 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 Appropriation Account and the Reconciliation Statements in accordance with the 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.

11.3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) and (b) and other major audit findings appearing in paragraphs 11.4 to 11.7 herein, the Appropriation Account and the Reconciliation Statement of the Office of the Finance Commission had been prepared satisfactorily.

(a) Budgetary Variance

- (i) The total net provisions totalling Rs.25,603,000 made under 04 Objects had been saved.

- (ii) Excess provisions had been made for 06 Objects and as such the savings after the utilization of provisions amounted to Rs.5,431,785 and ranged between 35 per cent to 98 per cent of the net provisions relating to those Objects.
- (iii) Even though provisions amounting to Rs.1,306,935 had been obtained through the Supplementary Estimate allocation for the salaries and wages Object, the entire amount had been saved.

(b) **Reconciliation Statement of the Advances to Public Officers Account**

According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 01101, the balances that remained outstanding as at that date totalled Rs.181,511 and the Commission had failed to recover those outstanding balances.

11.4 Good Governance and Accountability

11.4.1 Corporate Plan

Even though the Commission should have prepared a Corporate Plan at least for 3 years at the beginning from the year 2010 onwards in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and Heads of Local Authorities, that Plan had not been prepared even by 17 February 2014.

11.4.2 Annual Performance Reports

Even though the Annual Performance Report that should have been prepared by the Commission in terms of the Public Finance Circular No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to the letter of the Director General of Public Finance referred to in paragraph 11.4.1 above should have been tabled in Parliament within 150 days after the close of the financial year with a copy to the Auditor General, the Performance Report for the year under review had not been tabled in Parliament even by 17 February 2014.

11.4.3 Annual Procurement Plan

The Annual Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had not been prepared even by 31 December 2012.

11.4.4 Internal Audit

The Commission had not established an Internal Audit Unit.

11.4.5 Implementation of the Audit and Management Committee

The Commission had not implemented an Audit and Management Committee.

11.5 Assets Management

Idle and Underutilized Assets

According to the Board of Survey for the year 2012 conducted by the Commission 385 units of assets had been idling.

11.6 Non-compliance with Laws, Rules and Regulations

Distress loans amounting to Rs.960,179 had been granted to 03 officers contrary to the provisions in the Public Administration Circular No.30/2008 of 31 December 2008.

11.7 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(a) Senior Level	15	06	09
(b) Tertiary Level	03	02	01
(c) Secondary Level	46	30	16
(d) Primary Level	13	06	07
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Total	<u>77</u>	<u>44</u>	<u>33</u>

The Commission had not taken action to fill 33 vacancies by the end of the year under review.