

3. Head 3 – Secretariat for Special Functions (Senior Ministers)

3.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Secretariat for Special Functions 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 on 29 May 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.

3.2 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 provisions of 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.

3.3 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 3.4 to 3.8 herein, the Appropriation Account and the Reconciliation Statement of the Secretariat for Special Functions had been prepared satisfactorily.

(a) **Non – maintenance of Registers and Books**

It was observed during the course of audit test checks that the Office had not maintained the Register of Liabilities in terms of Financial Regulation 214 and that certain other registers had not been maintained in the proper and updated manner.

(b) **Budgetary Variance**

- (i) The entire net provision amounting to Rs.300,000 made for 06 Recurrent Objects and Rs.7,850,000 made for 21 Capital Objects had been saved.
- (ii) Provisions amounting to Rs.38,578,000 had been made for 38 Objects and after utilization of Rs.16,638,041 out of that, a saving of Rs.21,939,959 was observed. Such savings ranged between 20 per cent to 99 per cent of the net provisions made under the respective Objects.

3.4 Good Governance and Accountability

3.4.1 Corporate Plan

Even through the Office should have prepared a Corporate Plan at least for a period of 03 year from the year 2010 and onwards, at the beginning of the year 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 the Heads of Local Authorities, that plan had not been prepared even by 31 December 2012.

3.4.2 Annual Action Plan

Even through the Office should prepared and Annual Action Plan from the year 2010 and onwards in accordance with the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to the paragraph 3.4.1 above, the Action Plan for in year under review had not been prepared even by 31 December 2012

3.4.3 Annual Performance Report

Even through the Annual Performance Report that should be prepared by the Office in terms of the Public Finance Circular No. 402 of 12 September 2002 and No. 402 (1) of 20 February 2004 referred to in the letter of the Director General of Public Finance referred to in paragraph 3.4.1 above should have been tabled in Parliament within 150 days after a 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 30 August 2013.

3.4.4 Annual Procurement Plan

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

3.4.5 Internal Audit

An Internal Audit Unit had not been established in terms of the Department of Management Audit Circular No.DMA/2009 (1) dated 09 June 2009.

3.5 Assets Management

(a) Conduct of Annual Boards of Survey

According to the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Boards of Survey/ 01 dated 17 December 2010, the Annual Board of Survey for the year 2012 should be conducted and the reports thereon should be furnished to the Auditor General before 31 March 2013. Nevertheless, the Office had not furnished those reports to audit even by 31 May 2013. The last Board of Survey conducted had been for the year 2011.

(b) Unsettled Liabilities

The unsettled liabilities of the Office less than one year as at 31 December 2012 amounted to Rs.16,368,664 and out of that liabilities amounting to Rs.401,197 had not been disclosed in the Account.

3.6 Non – compliances

Non – compliances with Laws, Rules, Regulations, etc.

The instances of non – compliances with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed bellow.

Reference to Laws, Rules and Regulations -----	Value ----- Rs.	Non – compliance -----
(a) Financial Regulations -----		
(i) Financial Regulation 66(3)(c)	1,450,000	The applications for transfer of provisions had not been submitted prior to 31 December 2012.
(ii) Financial Regulation 94(1)	13,635,278	The liabilities incurred and the expenditure incurred should not exceed the provision make for the financial year under any circumstances. Nevertheless, liabilities had been incurred without provisions.
(iii) Financial Regulation 751(1)	-	Inventory Registers and Stock Books had not been maintained for official quarters.
(iv) Financial Regulation 754	-	The Stock Books of the Secretarial had not been balanced at the end of the year.
(v) Financial Regulation 756 (2) (a)	-	The officer in charge of the store had been appointed as a member of the Board of Survey.
(vi) Financial Regulation 757(4)	-	A survey of the existence of the motor vehicles had not been carried out and reports furnished to the Auditor General.
(vii) Financial Regulation 1646	-	Daily Running Charts had not been furnished to the Auditor General.
(b) Treasury Circular -----		
Paragraph 2 of in Treasury letter No. 842 of 19 December 1978	-	The motor vehicles purchased the year 2011 and 2012 only had been recorded in the Register of Fixed Assets. But 04 motor vehicles formally taken over from other institutions had not been recorded.

(c) National Budget Circular

Circular
No.BD/356/413/3/2008 dated
01 June 2010 of the Director
General of National Budget

Even though motor vehicles supplied from Project aid should be used only for the relevant Project, a motor vehicle supplied to the Communication and Response Capacity Development Project of the Disaster Management Centre had been removed to the Secretariat for Special Functions.

3.7 Transaction of Contentious Nature

Bids had been called for the supply of janitorial services and security services without indicating the criteria used for the evaluation of bids in the bid application forms. Nevertheless, one bidder had been selected by writing those criteria by hand in one application those criteria had been written by hand in one bid.

3.8 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	Numbers of Vacancies
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(a) Senior Level	19	04	15
(b) Tertiary Level	01	01	-
(c) Secondary Level	23	22	01
(d) Primary Level	102	102	-
(e) Other (cadre/ Temporary casual Basis	140	140	-
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Total	285	269	16
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The Secretariat had not taken action to fill 16 vacancies even by the end of the year under review.