

Head – 122 – Report of the Auditor General on the Ministry of Mass Media and Information and the Departments Under the said Ministry-Year 2013

This report consists of two parts.

Part I – Summary report on the accounts of the Ministry and the Departments under the said Ministry.

Part II – The detailed report relating to each Appropriation Head.

Part I

Summary report on the accounts of the Ministry of Mass Media and Information and the Departments under the said Ministry.

01. Departments under the Ministry

<u>Head</u>	<u>Department</u>
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210	Department of Government Information
211	Department of Government Printer

02. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry and 02 Departments under the Ministry amounted to Rs.3,614,025,0000 and out of that Rs.3,018,126,727 had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry and the Departments ranged between Rs.1,952,641 to Rs.309,647,107 or between 1.02 per cent to 18.91 per cent of the total net provision. Details are shown below.

Expenditure Head	As at 31 December 2013			
	Net Provision	Utilization	Savings	Savings as a Percentage of the Net Provision
	Rs.	Rs.	Rs.	
122	1,637,000,000	1,327,352,893	309,647,107	18.92
210	191,050,000	189,097,359	1,952,641	1.02
211	1,785,975,000	1,501,676,475	284,298,525	15.9
Total	3,614,025,000	3,018,126,727	595,898,273	16.49

2.2 Revenue Account

Estimated and Actual Revenue

The Department of Government Printer under the Ministry had estimated revenue amounting to Rs.300 million for the Revenue Code 20-03-02-05 for the year 2013 and revenue amounting to Rs.469.54 million had been collected during the year under review. Accordingly, 156 per cent of the estimated revenue had been collected. Details are shown below.

As at 31 December 2013				
Revenue Code	Estimated Revenue	Actual Revenue	Excess	Excess as a Percentage of the Estimated Revenue
	Rs.	Rs.	Rs.	
20-03-02-05	300,000,000	469,540,080	169,540,080	56.5

2.3 Advance Accounts

2.3.1 Advances to Public Officers Accounts

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry and 02 Departments under the Ministry and the actual amounts are given below.

Item No	Expenditure		Receipts		Debit balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
12201	6,000,000	3,587,086	3,300,000	3,516,767	22,000,000	12,681,737
21001	8,000,000	7,367,705	5,000,000	6,263,249	46,000,000	28,012,685
21101	55,000,000	39,534,900	38,000,000	50,724,669	300,000,000	225,625,534

2.4 Imprests and General Deposits Accounts

2.4.1 Imprest Account

The Imprest balances of the Ministry and 02 Departments under the Ministry as at 31 December 2013 totalled Rs. 9,890,415. Details appear below.

Ministry/ Department	Imprest Account No.	Balance as at 31 December 2013
		Rs.
Ministry of Mass Media and Information	7002/0000/00/0143/0013/000	1,816,275
Department of Government Information	7002/0000/00/0246/0013/000	4,340,660
Department of Government Printer	7002/0000/00/0104/0013/000	3,733,480
Total		9,890,415

2.4.2 General Deposits Accounts

The total of the balances of Deposits Accounts of the Ministry and the 02 Departments under the Ministry as at 31 December 2013 amounted to Rs.140,956,686. Details are shown below.

Ministry/ Department -----	Deposit Account No. -----	Balance as at 31 December 2013 ----- Rs.
Ministry of Mass Media and Information	6000/0000/00/0015/0035	74,187,167
Department of Government Information	6000/0000/00/0015/0092	14,959,346
Department of Government Printer	6000/0000/00/0015/0092 6000/0000/00/0002/0004	51,751,173 59,000
Total		----- 140,956,686 =====

Part II

Detailed Report relating to each Appropriation Head

1. Head 122 – Ministry of Mass Media and Information

1.1 Scope of Audit

The audit of the Appropriation Account including the financial reports reconciliation statements, books, registers and other reports of the Ministry of Mass Media and Information for the year ended 31 December 2013 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 Ministry on 27 November 2014. Audit observations comments and findings on the accounts and reconciliation statements are based on review of the accounts and reconciliation statements presented for audit and substantive 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 on the Accounts and the Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue Account 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, 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 books for the year ended 31 December 2013, it was observed that except for the general observations appearing at (a) and (g) and major audit findings appearing in paragraphs 1.4 to 1.14 herein, the Appropriation Account and the reconciliation statements of the Ministry of Mass Media and Information had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

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

Type of Register	Relevant Regulation
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(i) Register of Losses and Damages	Financial Regulation 110
(ii) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978
(iii) Register of Personal Emoluments	Management Audit Circular No.DMA/2010(4) dated 19 February 2010 and Financial Regulation 453(2)
(iv) Register of Liabilities	Financial Regulation 214

(b) Lack of Evidence for Audit

The following transactions could not be satisfactorily vouched in audit due to the unavailability of adequate evidence in support of those transactions.

- (i) A sum of Rs.196,500 had been spent for the seminar of regularizing Media Circles of the schools situated within the Kandy Education Division. Nevertheless, an estimate and a plan prepared thereon had not been furnished to audit.
- (ii) A sum of Rs.7,168,650 had been spent in respect of refreshments of the Media get-togethers conducted on 10 January 2013 and 27 December 2013, whereas the documents in support of the guests and the participants had not been made available to audit.

(c) Replies to Audit Queries

Replies to 05 Audit queries issued to the Ministry in the year under review had not been furnished even by 31 December 2014. The value of quantifiable transactions relating to those audit queries amounted to Rs.203,945,045.

(d) Budgetary Variation

The following observations are made

- (i) The capital provisions totalling Rs.200,000 made for 02 Objects had been entirely saved.
- (ii) Provisions totalling Rs.361,420,000 had been made for 21 Objects and which, after the utilization of a sum totalling Rs.74,104,080, provisions amounting to Rs. 287,315,920 had been saved. That savings had ranged between 25. per cent to 99 per cent of the provisions made. The failure to utilize funds properly for the relevant objectives and functions and making over provisions had resulted in these savings.

- (iii) The entire provisions totalling Rs.2,400,000 made for 04 Objects and 76 per cent out of the provisions totalling Rs.19,000,000 made for another 04 Objects had been transferred to other Objects. Accordingly, provisions exceeding the required amount had been made.
- (iv) Without being complied with the Financial Regulation 94 (I), commitments amounting to Rs.277,997,186 exceeding the provisions made for two projects had been incurred in the year 2013.

(e) Imprest Account

The following observations are made

- (i) Even though the ad hoc Sub-impressts obtained should be settled immediately after the completion of the purpose in terms of provisions in Financial Regulation 371, two ad hoc sub-impressts had been settled after a delay of 19 days and 8 days from the completion of purposes.
- (ii) Even though the maximum ad hoc sub-imprest that can be issued to a Staff Officer at a time in terms of Financial Regulation 371 is Rs.20,000, contrary to the Financial Regulation, ad hoc sub-impressts totalling Rs.3,922,975 within a range up to Rs.500,000 had been issued exceeding Rs.20,000 limit in 40 instances to 20 officers.

(b) General Deposits Account

The following observations are made

- (i) The total tax income recovered in respect of imported television programmes for the year 2013 amounted to Rs.88,270,500 and out of which, a sum of Rs.67,039,456 or 76 per cent had been retained in the deposit account without being credited to the state revenue.

(ii) Without being obtained approval of the Treasury in terms of the provisions in the Financial Regulation 215(3), a sum of Rs.1,426,529 had been debited to the expenditure account in the year 2010 and that provision had been retained in the deposit account even by 31 December 2013.

(f) Reconciliation Statement of the Advances to Public Officers Account

According to the reconciliation statement as at 31 December 2013 on Advances to Public Officers Account Item No.12201, the outstanding balances as at that date totalled Rs.310,274.

1.4 Good Governance and Accountability -----

1.4.1 Annual Action Plan -----

Although the Ministry had prepared an Action Plan for the year 2013, it had not included all the activities of the Ministry.

Eg, Levy of taxes on imported tele dramas and films

1.4.2 Implementation of the Audit and Management Committees -----

Audit and Management Committee meetings had been held in Ministerial level for the year 2013. Out of twelve institutions functioning under the Ministry , one institution had been involved in 02 instances and 09 Institutions had been involved per one instance for the meetings. Two Institutions had not been called for the meetings.

1.5 Assets Management -----

The following deficiencies were observed during the course of audit test check conducted on the assets of the Ministry.

(a) Conduct of Annual Board of Survey

Action in terms of Financial Regulation 757 (2) had not been taken on the excesses, shortages and the recommendations pointed out by the Board of Survey reports pertaining to the year 2013.

(b) Assets given to Outside Parties

The motor vehicle worth of Rs.6,750,000 registered under the Ministry had been given to the Rupavahini Training Institute on 03 February 2012. Although the Rupavahini Training Institute had been incorporated as a state company since year 2013, the ownership of that vehicle had not been transferred to that institute even by 24 November 2014.

(c) Receivable Balances

Tax income amounting to Rs.21,740,500 recoverable as at 31 December 2013 in terms of Section 7 of the Finance Act No.11 of 2006 from 02 television channels in respect of imported films, tele dramas and commercial programmes remained outstanding for more than a period of 05 years. The surcharge recoverable in respect of this outstanding income had been Rs.9,260,309 as at 31 December 2012.

(d) Unsettled Liabilities

The unsettled liabilities of the Ministry that remained less than one year amounted to Rs.281,998,775 as at 31 December 2013.

1.6 Non- compliances

Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of laws, rules and regulations observed at sample audit checks are analyzed below.

Reference to Laws, Rules and Regulations.

Non compliances

(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulations 104(3) and (4)

A preliminary inquiry on the damages caused as a result of fire broke out in a building of the Ranmihithenna Tele-Cinema Park on 30 October 2011 had not been conducted even as at 31 December 2014.

(ii) Financial Regulations 1645 (c)

Instances were observed where the officers travelled in the pool vehicles had not entered all the relevant details in the Daily Running Chart at the end of each tour.

(iii) Financial Regulations 1646

Out of the vehicles owned by the Ministry in the year 2013, Daily Running Charts of 4 vehicles for the whole year and the Daily Running Charts of 13 vehicles relating to a period ranging from 5 months to 9 months together with the monthly performance report pertaining to each month had not been furnished to the Auditor General even by 21 October 2014.

(iv) Financial Regulations 1647 (b)

An annual board of survey on the vehicles had not been conducted and the reports had not been furnished to the Auditor General.

(b) Circulars of the Presidential Secretariat.

Paragraph 3:1 of the State Expenditure Management Circular No. CA/1/17/1 dated 14 May 2010.

Although the maximum number of vehicles that can be allocated for the utilization and the security purposes of the Minister is 03, 10 vehicles had been utilized.

1.7 Performance

The observations on the progress of the Ministry according to the Action Plan for the year 2013 are shown below.

(a) **Activities Contrary to the Key Functions**

In the recovery of taxes for the imported films and tele dramas, as an encouragement of the import of award winning works, those tele dramas and films as well as children’s films and cartoons providing entertainment and fit for the children’s mind had been exempted from the taxes. Nevertheless, when granting this tax exemption the clearance certificates had been issued without paying attention on the prime objectives of the Act, that the development of local tele drama and film industry in keeping with the Sri Lankan tradition and in case of the children’s programmes, telecasting programmes suitable for the children mind and helpful for the improvement of mental and physical development while discouraging the imports. Further, approval had been granted to telecast tele dramas and cartoons unsuitable for the children (scenes promoting violence) by recovering taxes. Giving permission for telecasting inappropriate tele dramas and films on the recovery of tax had been contrary to the objectives of the Act. It was further observed that the Ministry had paid more attention on earning income than the objectives of the Act. Several such instances are given below.

- (i) Without being checked, approval had been granted to telecast the cartoon scenes by naming them as cartoons and exempting from tax which had been banned by various countries on the following reasons.

Programme -----	Country that banned the programme -----	Reason for banning -----
Sponage bob	China	Particularly aggressive censor objected to the connect at his show.

- (ii) Approval had been granted to a channel to telecast tele dramas and films inappropriate for the children's mind at any time.

The Film/ Tele Drama	Reason for the tax exemption	Recommendation given by the panel exempting taxes
Game of thrones	Being a award winning film	Approval had been granted to telecast it at any time by removing the below mentioned scenes. (Nude scenes, sex scenes, violence scenes)

- (b) Key Functions not Executed Adequately

The following observations are made

- (i) For the purpose of providing room facilities for those who participate in shooting at Ranmihithenna Tele Cinema Village, 43 rooms had been constructed under three categories of rooms graded as A,B and C. The utilization of those rooms had been 20 per cent, 22 per cent and 61 per cent respectively during the year under review. Most of these utilization had been in respect of the production of an Indian film for which facilities had been provided free of charge. Further, a studio had been established for tele dramas and films whereas, no income whatsoever had been earned from that studio during the year 2013.
- (ii) Provisions amounting to Rs.140,000,000 had been made for the reconstruction of locations, opening a branch of the Ranmihithenna in Colombo, establishment of cinema school and the function for recommencing the Ranmihithenna Tele Cinema Village under the development of infrastructure facilities for the improvement of television and radio transmission facilities. Nevertheless, except for the reconstruction of the kitchen at Ranmihithenna, no other purposes had been carried out.

(c) Planning

(i) Action not taken in accordance with the Annual Action Plan

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

- Although provisions amounting to Rs.4,000,000 had been made for the conduct of 08 workshops in order to train 400 journalists, only one workshop had been conducted for 100 journalists during the year 2013.
- Provisions had been made as Rs.3,000,000 for publishing timely issues and Rs.3,000,000 for the survey based on the viewers and analysis of contents and implementation of the recommendations of international reviews. Inclusive of the expenditure incurred in respect of the purposes referred to in the above paragraph, a sum of Rs.9,127,933 had been spent during the year. As quarterly Performance Reports had not been made available, it could not be determined as to how far the provisions made for these activities had been utilized and what the programmes that had not been implemented were.
- Provisions amounting to Rs.15,000,000 had been made for the activities such as introduction of digital technology, establishment of Transmission Development Authority, conduct of mass media awarding ceremony and giving publicity towards the national development by the annual budget estimate 2013. Nevertheless, those activities had not been implemented and sums of Rs.4,000,000, Rs.7,630,000 and Rs.2,368,000 out of the above provisions had been utilized for the activities of the Common Wealth Heads of Government Meeting, Deyatakirula project and the other recurrent expenditure respectively.

(ii) Activities not included in the Annual Action Plan

Despite being not included in the Action Plan of the year 2013 and not made provisions, one day awareness seminar had been conducted for encouraging the media circles of the schools situated within the Kandy Education Zone by the Media Secretary to the Minister on the instruction of the Minister by incurring Rs.196,500.

(iii) Inaccuracies of the Matters Specified in the Performance Report

It was observed that the following matters referred to in the Performance Report were incorrect.

- Although it had been stated that 152 persons were trained under the establishment and training of a pool of skills with the objective of developing infrastructure facilities for the improvement of television and radio transmissions, only the recruitments had been made.
- Although it had been specified in the report that a data bank of the registered journalists was created for the enhancement of professional quality of the journalists, it had not been so done.

1.8 Transactions of Contentious Nature.

Details on the transactions of contentious nature entered into by the Ministry are given below.

- (a) A sum of Rs.54,000 had been spent for the supply of lunch for 40 persons including Members of Parliament and regional politicians who had engaged in a field tour in the Ranmihithenna Tele Cinema Park on 20 July 2013.
- (b) It was revealed in the examination of the documents of the Ministry that in respect of imported commercial advertisement 02 channels selected as a sample had paid sums of Rs.13,000,000 and Rs.9,300,000 respectively to the Ministry. In the examination of the documents of the relevant two channels, it was confirmed that no payment whatsoever had been made for broadcasting commercial advertisements. Accordingly, the weakness of the Ministry on the financial control was observed through the issuance of receipts under Form General 172 in the names of the persons who had not paid money.

1.9 Irregular Transactions

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

(a) Deviation from Government Procurement Procedure

It was observed that action in accordance with the Guideline 3.2 of the Government Procurement Guidelines had not been taken in selecting suppliers in the below mentioned instances.

- (i) Preparation of the front garden for arranging foods and beverages and the supply of a generator for the media get together held at a hotel on 27 December 2013 had been entrusted to a private institution and a sum of Rs.1,625,000 had been paid.
- (ii) Sums of Rs.6,464,042, Rs.2,345,600 and Rs.319,264 had been respectively paid for the events management, supply of foods and beverages and provision of accommodations in respect of the function held for the launch of new features including the website of the Ranmihithenna Telecinema Park to 5 private institutions.

(b) Transactions without Authority

According to the Cabinet Memorandum dated 26 October 2009 and the Cabinet Paper No 400 /09/2305/338/048 dated 12 November 2009, approval had been granted to incur expenditure only for the constructions and the activities relevant thereto of the Ranmihithenna Tele Cinema Village out of the tax income collected. A sum of Rs.9,321,367 or 12 per cent of the collected tax income had been spent for the expenses such as fuel, overtime etc. which were the general administrative affairs that had been provided by the annual budget estimate.

1.10 Losses and Damages

The following observations are made.

- (a) The income of the Ranmihithenna Tele Cinema Village earned from the sale of tickets, shootings, provision of room facilities and from other income had totalled Rs. 9,339,337 during the year under review. A sum of Rs.60,942,065 had been spent for its maintenance and other activities. Accordingly, the financial loss of the year had been Rs.51,602,688.
- (b) It was observed that although it had been pointed out by the audit in several instances that follow up action should be taken to see whether imported commercial advertisements are broadcast without being paid tax, no follow up action had been taken. In this connection, a sample of 2 institution was examined with regard to the tax recovered imported commercial advertisements and actually broadcast imported commercial advertisements and it was observed that imported commercial advertisements had been broadcast without paying tax and the Government had suffered a loss of Rs.2,500,000. Further, it was observed that in granting approval for the imported commercial advertisements, attention had not been focused on ensuring whether those advertisements were suitable to the local traditions.

1.11 Uneconomic Transactions

A sum totalling Rs.2,142,821 had been paid as the electricity bill of the Minister during the year under review and the monthly electricity bill had ranged between Rs.131,313 to Rs.206,575.

1.12 Unresolved Audit Paragraph

- (a) Reference to the audit paragraphs relating to the Ministry included the Reports of the Auditor General on which follow-up action had not been finalized is given below.

Reference to Report of Auditor General		Subject under Reference
Year	Paragraph Number	
-----	-----	-----
(i) 2012	8 (b) (ii)	Although it had been specified in the Action Plan, 2012 to pass a separate Parliamentary Act for the Mahinda Rajapaksha Tele Cinema Park, that Act had not been passed even by 20 November 2014.
(ii) 2012	12 (a)	No action whatsoever had been taken on the shortage of Rs.99,305 shown between the tickets issued to Ranmihithenna and the income earned even by 20 November 2014.
(iii) 2012	12 (j)	The Mass Media Code of Conduct scheduled to be completed in the year 2012 had not been completed even by 20 November 2012.
(iv) 2012		In issuing licences for maintaining radio and television channels, temporary licences had been issued instead of permanent licences and a methodology had not been put in place for the issuance or renewal of a permanent licence. As such, it was observed that transmissions of the channels had been continuously

carried out without any supervision. It was further observed that subsequently issued temporary licences had included the conditions which had not been specified in previous instances and as such it had not been able to take equal decisions on the institutions and issues had cropped up on taking decisions.

- (b) Directives on which action had not been completed even by 21 November 2014 out of the directives issued by the Committee on Public Account relating to the Ministry on 22 January 2014.

Reference to the Paragraph of the Report of the Committee on Public Accounts	Subject under Reference
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(i) 05

To amend the Press Complaints Commission of Sri Lanka Act so as to enable the electronic media institutions to make complaints.

(ii) 06

The directive with regard to the submission of a Bill relating to the right easy access to accurate information on security and the economy to the general public to the Parliament which is a prime objective of the Ministry of Mass Media and submission of a report thereon to the Committee had not been fulfilled even by 31 December 2013 and it had been informed by the reply letter that a Bill relating to the right to accurate information on security and the economy to the general public should be done up on a policy decision of the Government.

- (iii) 07.08 To pass the Transmission Development Authority Act and establishment of Transmission Development Authority, introduction of digital technology and submission of a report of its progress to the Committee.
- (iv) 12 Supervision of the activities of the licence holders of private radio and television channels, recovery of an annual charge and implementation of a proper system for the renewal of the licences for preventing outflow of the Public funds to private parties improperly.
- (v) 13 To obtain correct information of the licence holders from the relevant institutions (Registrar of Companies) and submit report to the committee and to formulate a new policy on the Rupavahini institutions operating up on cable satellite and internet
- (vi) 15 Tabling Annual Performance Reports for the years 2009 and 2010 to Parliament
- (vii) 20
- (i) Submission of a Cabinet Memorandum seeking approval in respect of expenditure incurred in 2010.
 - (ii) Establishment of a Fund for the tax recovered for the imported television programmes without delay.
- (viii) 26 Formulation of a National Media Policy and failure to take action to control the television advertisements despite being stressed the requirement thereon.

1.13 Management Weaknesses

The following weaknesses were observed during the course of audit test check

- (a) Two automated recorders had been purchased from the tax income in the year 2010. Its main objective was to supervise information relating to the collection of tax income. Nevertheless, only the examination of telecasting imported films and tele dramas had been carried out by those machines even by 31 December 2013. Although it was not demanded, examination had not been carried out to see whether the taxable commercial advertisements were being telecast. It was observed at the audit test check that in additions to the children's films/ cartoons for which approval had been granted cartoons were telecast without obtaining the approval.
- (b) With the objective of promoting the Sri Lankan traditions, a tax had been imposed for telecasting programmes produced in foreign countries in this country in terms of section 6(1) of the Finance Act.No.11 of 2006. But, the programmes telecast through the television channels operated under 15 licenses based on cables, satellites, internet and telephones were not liable to pay this tax. Therefore, it is observed that the objectives of imposing the relevant tax were not achieved within the country. Further, it was agreed with the Department of Public Finance in year 2009 to establish a Fund to credit this tax revenue collected. Nevertheless it had not been done even by July 2013.
- (c) Two state corporations that released 12 employees to the Ministry of Mass Media and Information had paid a sum of Rs.4,982,066 and Rs.2,387,613 as their salaries and allowances, and those corporations had paid that amount whereas the Ministry had failed to furnished the details on the divisions to which they were attached, confirmation of attendance and the details in support of engaging in overtime service to the audit. A letter indicating that the officers from Sri Lanka Rupavahini Corporation or State Printing Corporation be attached to the Ministry office or an acknowledgement in support of the attachment of those employees to the Ministry office could not be found according to the file of the Ministry office. Those officers had not been employed in any division of the Ministry office.

1.14 Human Resources Management

(a) Approved Cadre and Actual Cadre

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

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
(i)	Senior Level	15	13	02	-
(ii)	Tertiary Level	03	01	02	-
(iii)	Secondary Level	102	74	28	-
(iv)	Primary Level	33	31	02	-
(v)	Others (Casual/ Temporary/ Contract Basis)	-	-	-	02
	Total	153	121	34	02

The following observation is made.

The ministry had not taken action to fill 34 vacancies as at end of the year under review. As referred to in the paragraph 1.14 (b), a staff of 14 members had been employed for the purposes of the Ministry.

(b) Human Resources obtained from Other Parties

Details of the human resources obtained from other parties by the Ministry are as follows.

Category of Employee	Post	Number	Other Party	Duration
Primary	Driver	02	Sri Lanka Rupavahini Corporation	From 02.08.2010 to 31.12.2013
-Do-	Driver	01	-Do-	03.10.2011 to 31.12.2013

-Do-	K.K.S	02	-Do-		02.08.2010 to 31.12.2013
-Do-	Production Assistant (Contract)	01	State Corporation	Printing	01.12.2010 to 31.12.2013
-Do-	Labourer- Contract	02	State Corporation	Printing	11.07.2011 to 31.12.2013
-Do-	Printing Assistant	01	-Do-		03.06.2013 to 31.12.2013
Secondary	Management Assistant (Contract)	01	-Do-		22.06.2011 to 31.12.2013
		01			16.12.2011to 31.12.2013
		01			01.11.2012 to 31.12.2013

02. Head 210 – Department of Government Information

2.1 Scope of Audit

The audit of the Appropriation Account including the financial reports, reconciliation statements, books, registers and other reports of the Department of Government Information for the year ended 31 December 2013 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 Head of the Department on 15 July 2014. Audit observations, comments and findings on the accounts and reconciliation statements are based on review of the accounts and reconciliation statements presented for audit and substantive tests of samples of transactions. The scope and extent of such review and test 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 on the Accounts and the Reconciliation Statements.

The responsibility of the Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, and Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, Public Finance and Administrative Regulations. This responsibility includes planning, implementation and maintenance of internal control relevant to the preparation and fair presentation of accounts and reconciliation statements that are free from material misstatements due to fraud or error.

2.3 Audit Observations

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the general observations appearing at (a) to (f) and major audit findings appearing in paragraphs 2.3 to 2.14 herein, the Appropriation Account and the Reconciliation Statements of the Department of Government Information had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained the following registers.

Type of Register -----	Relevant Regulation -----
(i) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978
(ii) Register of Personal Emoluments	Management Audit Circular No. DMA/2010 (4) dated 19 February 2010 and Financial Regulation 453 (2)
(iii) Register of Liabilities	Financial Regulation 214

(b) Replies to Audit Queries

Replies to 06 Audit queries issued to the Department in the year under review had not been furnished even by 20 January 2015 and the value of quantifiable transactions relating to those audit queries amounted to Rs14,419,557.

(c) Budgetary Variance

Contrary to the Financial Regulation 94 (1), commitments exceeding the net provisions totalling Rs. 27,220,000 made for two Objects by Rs.701,262 had been incurred.

(d) Imprest Account

In terms of the letter dated 07 April 2011 of the Director General of Treasury Operations, the maximum ad hoc sub-imprest that can be issued to a staff officer at a time had been approved as Rs.60,000, whereas an officer had been issued ad hoc sub-imprest totalling Rs.464,285 exceeding the limit of Rs.60,000 in two instances contrary to that approval.

(e) General Deposit Account

The following observations are made

- (i) Provisions amounting to Rs.3,141,819 received from another Departments for incurring expenditure for the production of films as at 31 December 2013 had been retained in the General Deposit Account and out of that provisions amounting to Rs.911,994 received from 3 institutions had continued to exist for a period from 01 to 02 years.
- (ii) Out of the provisions made for a new media institution and the other activities connected thereon, a sum of Rs.45 million had been transferred to the General Deposit Account. Although it had been stated that the relevant liabilities should be settled out of this amount during the year 2012, a sum

of Rs.2,231,012 had been spent in respect of the renovation of old auditorium carried out in the year 2013.

- (f) Reconciliation Statement of Advances to Public Officers Account.

 It had not been able to recover the loan balances amounting to Rs.261,272 brought forward for over a period of 10 years in respect of 04 deceased and service vacated officers even by 31 December 2013.

2.4 Good Governance and Accountability

Implementation of Audit And Management Committees

 One secession of Audit and Management Committee meeting only had been held at Ministerial level for the year 2013.

2.5 Assets Management

 The following deficiencies were observed during the course of audit test check carried out on the assets of the Department

- (a) Idle and Underutilized Assets

 The following observations are made.

For the purpose of preparing sales invoices, providing facilities to the customers to identify the stocks and registering the stocks of the Government Publication Bureau functioning under the purview of the Department, computer software had been purchased in the year 2008 incurring Rs.600,000. Preparation of sales invoices only had been carried out from this software introduced in the year 2008. It had been failed to provide facilities to identify stocks to the customers and register the stocks with the use of this software even by July 2013.

(b) Conduct of Annual Board of Survey

The following observations are made.

- (i) Action in terms of the Financial Regulation 757 (2) had not been taken in respect of excesses, shortages and recommendations pointed out by the Board of Survey reports pertaining to the year 2013.
- (ii) In terms of the Financial Regulation 756, a Board of Survey on the books available at the Government Publication Bureau had not been conducted for the year 2012. Even though a Board of Survey for the year 2013 had been conducted, the head of that Division had pointed out that the report thereon could not be accepted.
- (iii) A Board of Survey on the balance stock of the Desathiya magazine had not been conducted.

(a) Balance Receivable

The outstanding income older than 07 years receivable from various agents amounted to Rs.24,340.

(b) Unsettled Liabilities.

The unsettled liabilities of the Department brought forward for a period less than 01 year as at 31 December 2013 amounted to Rs3,561,652.

2.6 Non-compliances

Non-compliances with Laws, Rules, and Regulations

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

Non-compliances

(a) Financial Regulations of the
Democratic Socialist Republic of
Sri Lanka

- | | | |
|-------|------------------------------------|---|
| (i) | Financial Regulation 371(2) | The total of the advances issued in the range of Rs.3000 to Rs.60,000 to 13 non-staff grade officers in 45 instances amounted to Rs.1,205,000 |
| (ii) | Financial Regulation 371(2)
(b) | "Ad hoc" Sub-Imprests issued to 04 officers totalling Rs. 784,285 had been settled after a delay of 14 to 89 days once the intended purpose had been completed. |
| (iii) | Financial Regulation 454 | Some of the stock books had not been balanced and the balance had not been brought forward. Magazine named " <i>Desathiya</i> " had not been properly entered in the stock books. |
| (iv) | Financial Regulation 802(8) | A register including the details such as the date of purchase of the vehicle, the price, repairs, idle period, etc. had not been maintained in an updated manner. |
| (v) | Financial Regulation
1645(a) | The sample audit conducted on the vehicle log books revealed that they were incomplete. |
| (vi) | Financial Regulation
1645(c) | All necessary notes should be entered in the daily running chart immediately after the each journey ends. However, action had not been taken accordingly. |

- | | | | |
|-------|----------------------|------------|--|
| (vii) | Financial
1647(b) | Regulation | A survey had not been conducted on the vehicles annually nor had the reports in that connection been presented to the Auditor General. |
|-------|----------------------|------------|--|

2.7 Weaknesses in the Implementation of Projects

Abandonment of Projects without being Commenced

After being identified in the year 2006 that the studio owned by the Department should be repaired, provisions amounting to Rs.2,550,000 had been allocated in the same year. The repairs had not been carried out despite those provisions had been given to the Department of Buildings in the year 2006, and a sum of Rs.311,998 of that had been spent on the construction of a boundary wall in the month of July 2011. The balance amount, after being recovered by the Department, had been credited to the Government income in the year 2011. Despite being identified that the repairs on this studio were mandatory, no repairs had been carried out even after 07 years. Although the Director General had informed that the repairs would not affect the modern technological methodology, and the instruments, the relevant Divisional Head had informed that the said repairs would be necessary despite the digital technological instruments had been utilized.

2.8 Performance

Observations on the progress of the Department in accordance with the Action Plan for the year 2013, are shown below.

(a.) Key Functions not Adequately Fulfilled

The following observations are made.

- (i) It was one of the objectives of the Department to make the public aware of the timely activities of national importance including Government policies and development procedures. In order to achieve this objective, and provide the

public with the Government publications, Government Publication Bureau had been established. The publications being sold at the said Bureau, should be obtained from the Department of Government Printing, and as the Department of Government Printing had not provided some of the publications, the Department had been hampered in performing its duties successfully for the sake of the public.

- (ii) It was one of the chief objectives of the Department to preserve the short films and documentaries produced on the events of national importance , the first independence day celebrations of Sri Lanka, for instance. Despite being requested by the officers of that Division over a period of years to renovate the film preservation facility of the Department , this activity that should have been given priority in the year 2013, had not at least been commenced. It was reported to audit that lack of standards of the preservation facility had caused detrimental effects on the health of the officer who worked therein, and air conditioners had often malfunctioned due to impact of the chemicals as air conditioners had not been installed in a manner suitable for a laboratory.

(b.) Planning

The following observations are made.

(i) Non-compliance with Annual Action Plan

The following activities stated in the Action Plan for the year 2013, had not been carried out.

- Establishment of an Information System for the journalists.
- Renovation of the film preservation facility.
- Purchasing the data card machine.
- Establishment of an Information System for Human Resource Management.

(ii) Activities not Included in the Annual Action Plan

Computerization of inventories of publications had been shown in the Action Plan for the year 2012 as an activity that should have been carried out in the preceding year. Despite provisions amounting to Rs. 0.5 million had been allocated in that connection, the activity had not been carried out in 2012. The activity that had not been carried out, had also not been included in the Action Plan for the year 2013, and the computerization of inventories of publications had not been completed even by November 2014.

(iii) The Contradiction between the Performance Report and the Information Obtained from the Divisions.

A sample check conducted on 8 out of 12 activities stated in the performance Report, it was revealed that information stated in the Performance Report relating to 5 activities, had contradicted the information obtained from each Division. Details are given below.

Reference to Performance Report	Description	As at 31 December 2013	
		As per the Performance Report	As per Information Obtained from Divisions
11.1.7	Organizing media workshops for students	08	01
12.2.2	Conducting School media conferences	08	None
1.3.3.1	Printing “Desathiya” Magazine	12	11

1.3.3.3	Printing Magazine	“Thingle”	02	01
1.3.3.4	Media Index		01	None

2.9 Transactions of Contentious Nature

Particulars relating to a transaction of contentious nature performed by the Department is given below.

The ground floor of the building in Colombo Fort where the stores of the Government Publication Bureau had been located, was leased out to an external party from the year 2001 onwards. The electricity bills of the building, rates payable from the year 2009 and the lease rents payable from the year 2005 as per agreement, had not been paid by the lessee. A cafeteria had been maintained at the ground floor mentioned above, up to June 2013, and a liquor permit had been granted in that regard. The following observations are made in this connection.

- (a.) Legal action had not been taken to recover the lease rents, electricity bills, and rates that remained due up to December 2013.
- (b.) Although legal instructions had been sought for the recovery of a sum amounting to Rs. 4,653,515 recoverable from the cafeteria by June 2013, no legal action had been taken in that connection by November 2014.
- (c.) No information whatsoever had been made available to the audit in regard of the use of the liquor permit granted to the cafeteria.

2.10 Transactions of Fraudulent Nature.

Particulars relating to the transaction of a fraudulent nature revealed in sample audit checks, are given below.

The contractor had been paid a sum of Rs. 10,528,862 for 26,723 meters of the wire required for the main power cable at Rs. 394 per meter. The following deficiencies were observed in the audit carried out in that connection.

- (a.) According to the Bill of Quantity, the cable should have been supplied on the recommendation of the consultancy firm after being obtained through a special order. However, neither the order, nor the invoice had been made available to audit.
- (b.) It was found by measuring the actual length of this cable with the specialists, that a sum amounting to Rs.1,977, 502 had been overpaid.

2.11 Losses and Damages

Particulars relating to losses and damages revealed during the sample audit checks are given below.

- (a.) The contract for the construction of new media center of the Department had been awarded to a private Institution at an estimated value of Rs. 200,763,112. A sum of Rs.196,080,674 had been paid in that connection by 31 December 2013. The following deficiencies were observed in this connection.
 - (i) The consultancy firm certifying payments had acknowledged that, a sum of Rs.6,623,624 out of the payment mentioned above, had been overpaid. Nevertheless, the Department had not taken action even as at 30 November 2014 either to inform the relevant contractor for that matter in writing, or recover the said sum.
 - (ii) The auditorium of the new media center in area of 700 square meters had been constructed with low standards. The following deficiencies, unfolded before a period of 6 months had elapsed since the payments had been made after the company had taken over the building on 02 November 2011, had not been rectified even as at 30 November 2014.
 - As electricity had been supplied to the auditorium by using substandard wires instead of 3 core wires, the electric system could not be used properly and as necessary.

- The air-condition system of the auditorium installed at a cost of Rs.11,000,000 had not been effective in the division that controlled electricity and sound. Hence, it was pointed out that the durability of the valuable equipment therein could be affected. The contractor had not rectified that defect; instead, the Department had air conditioned the said division by incurring a sum of Rs. 69,238.
 - As for the two balconies constructed on either side of the stage at the auditorium, a staircase had not been built enabling access to the one on the right.
 - As the walls had been built improperly and below par with the standards required for being sound-proof, the intended objective had not been achieved.
 - As the sidewalls of the stage had been built below par with the standards, an area in excess of 75 square meters, had fallen into decay due to termites.
- (iii) Four fire-proof doors sans proper standards had been installed at emergency exit points of the new building without obtaining reports from the Colombo Municipal Council and a professional safety officer of the fire department. A sum of Rs. 410,000 had been paid in that connection on the recommendations of the consultancy firm.
- (b.) Bids had been called in the year 2013 for procuring 16 computers. The first minimum bid of Rs. 119,880 per computer submitted by a State institution in that connection had been turned down by the Procurement Committee without providing any justifiable reasons, whereas the institute with the second lowest bid of Rs. 185,330 per computer had been accepted by the Procurement Committee. Accordingly, the provisions allocated had not been sufficient for purchasing 16 computers at the said price. Hence, only 9 computers had been purchased at the price of Rs. 1,667,970 contrary to the plan for purchase of 16 computers. A financial loss of Rs. 589,050 had incurred as the purchase had been made on the second lowest bid by turning down the first bid.

- (c.) A Color Negative Processing Machine , and a Color Positive Processing Machine had been purchased by obtaining a foreign loan from the French Government totalling Rs.102.2 million (9,150,000 French Franc / 1,442,601 Euros) under 4 installments at an interest rate of 2.1 per cent. The following observations are made in this connection.
- (i) A feasibility study had not been properly carried out prior to purchasing those machines.
 - (ii) The supplier had entered into an agreement with the Department of Government Information on 10 December 1999. Those machines had been installed in the year 2003, but remained idle without being maintained even as at 31 December 2013.
 - (iii) A Committee comprising of three persons had been appointed in the year 2010 in order to obtain a recommendation relating to the steps to be taken on the machines remaining idle. Despite being recommended by the Committee that approval should be obtained through a Cabinet Memorandum to sell the machines by public bidding, the Department had not acted as per that recommendation even by the end of the year under review.
 - (iv) Sums of Rs.71,707,104 (404,590 Euros), and Rs. 54,650,458 (308,352 Euros) had been paid as loan installments, and interest respectively by 25 July 2013. Although the interest stated in the loan agreement was 2.1 per cent, it was 6.13 per cent according to the information obtained from the Department of External Resources. Hence, the interest payable as per the agreement had been overpaid by a sum of Rs.30,536,521 (172,295 Euros). Action had not been taken in terms of Financial Regulations on the financial loss caused to the Government due to the payment in excess, and the officers who procured the machines without requirement.

2.12 Uneconomic Transactions

Particulars observed in the sample audit checks relating to the transactions made uneconomically, are given below.

- (a.) Sixty seven library shelves had been purchased from a contractor at a price of Rs.1,950,000. Due to lack of standard, those shelves could not be used for storing books, and it was revealed during the physical inspection that the shelves remained idle. By attaching bases to bear the weight, the shelves had been repaired by the Department incurring Rs.60,000 out of the funds of the Department without taking action to get the contractor to do the repair.
- (b.) A sum of Rs.844,800 had been spent by the Department to purchase 8 sofa sets each consisting of 4 seats at a price of Rs.105,600 per set. The contractor had supplied sofa sets consisting of 3 seats instead of 4, at the same price. Having been pointed out by the audit, the reply stated that a total sum of Rs.211,200 at Rs.26,400 from each set of sofa had been deducted from the retention money in lieu of a seat not supplied. Although the physical audit inspection carried out on 05 June 2014 had observed the corrosion and damages on the leather covers shown in the specifications, the Department had failed to get the contractor to rectify those deficiencies.
- (c.) It was agreed to supply 46 sets of four seater lobby chair for a total price of Rs.1,357,000 at Rs.29,500 per set. By deviating from the specifications and the Bill of Quantity, 09 sets of three seater chair, and 08 sets of two seater chair had been supplied. As payments had been made 42 seats by considering one lobby seat to be a unit, a sum of Rs.973,500 had been overpaid. Although the reply stated that deductions had been made from the retention money in lieu of the said weaknesses, the deductions had been computed based only on the number of chairs. Particulars relating to the deductions made for being contrary to the specifications, had not been made available to audit. Furthermore, the goods had not been examined before being accepted so as to verify that they complied with the standards.

- (d.) Twenty five library chairs purchased by making an overpayment of Rs. 217,800 than the agreed price, had been made without complying with the standard. Furthermore, despite being stated that the weaknesses had been rectified, it was revealed in the physical examination that the rectification had not been committed properly.

2.13 Unresolved Audit Paragraphs

References to audit paragraphs of the Department included in the audit reports, for which follow up action had not been completed, are given below.

Reference to Auditor General's Report		Subject Under Reference
Year	Paragraph	
(i) 2012	4 (a)	As revealed during the physical audit inspection carried out with assistance of the private consultancy firm, on the furniture of the new media center, a sum of Rs.3,522,700 had been paid for 12 items that had not complied with the agreed specifications. Three items of goods supplied out of specifications at a price of Rs.2,568,800 had remained unusable.
(ii) 2012	7 (b) (i)	The contract for the construction of the new media center had been awarded to a private company at a value of Rs. 200,763,112. As information such as, sub contract register, warranty certificates (electric appliances, air conditioners, fire-proof doors), bid documents furnished by the selected bidder, unopened copies of bid documents of all the bidders, and the agreement entered into on the demolition of old building, had not been made available to audit, those transactions could not be satisfactorily vouched.

- (iii) 2012 7 (b) (ii) Furniture had been purchased from a private institute for the new media center incurring a sum of Rs.23,997,597. The original or the duplicate of the bidding document used in calling for bids from the said company, had not been made available to audit.
- (iv) 2012 8 (a) The total sum of Rs. 195,985,670 had been paid to the relevant institute for construction of the new media center at the Department. The consultancy firm had also issued a certificate verifying the completion of construction on 08 June 2011. However, after being informed by the Department, the contractor had rectified only few of the defects identified by the consultancy firm.

2.14 Human Resource Management

(a) Approved Cadre and Actual Cadre

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

Category of Employee		Approved No. of Cadre	Actual No. of Cadre	No. of Vacancies
(i)	Senior Level	15	08	07
(ii)	Tertiary Level	16	06	10
(iii)	Secondary Level	231	187	44
(iv)	Primary Level	52	50	02
(v)	Other (Casual/Temporary/Contract basis)	23	14	09
Total		<u>337</u>	<u>265</u>	<u>72</u>

(b) Human Resources Obtained from Other Parties

The following officers had been attached to the Department from other institutes.

Category of Employee	No. of Employees	Other Institute	Duration
-----	-----	-----	-----
Director General	01	University of Kelaniya	From 07 May 2010
Director	01	Rupavahini Corporation	From 01 August 2010

(c) Human Resources Released to Other Parties

Particulars relating to human resources released to other institutions by the Department despite vacancies, are as follows.

Category of Employee	No. of Employees	Other Institute	Duration of Release
-----	-----	-----	-----
(i) Media Investigation Officer	01	Ministry of Resettlement	From 01 Jan. 2013
(ii) Photographer	01	Presidential Secretariat	From 13 Jan. 2006
(iii) Project Implementation Assistant	01	Ministry of Botanical Gardens and Public Recreation	From 22 April 2013
(iv) Project Implementation Assistant	01	Ministry of Education	From 22 April 2013

Irrespective of the 72 vacancies, 04 officers of the Department had been released to other Ministries as shown above. The Department had spent a sum of Rs. 1,481,294 as salaries and allowances for them in the year 2013.

3. Head 211 - Department of Government Printing

3.1 Scope of Audit

The audit of the Appropriation Account, and the Revenue Account, including the financial records, reconciliation statements, books, registers and other records of the Department of Government Printing, for the year ended 31 December 2013 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 Head of the Department on 28 November 2014. The audit observations, comments and findings on the accounts and 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 and the Accounting Officer on the Accounts and the Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue Account, 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. The responsibility includes; designing, implementing, 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 books for the year ended 31 December 2013, it was observed that except for the general observations appearing at (a) and (c) and major audit findings appearing in paragraphs 3.4 to 3.14 herein, the Appropriation Account and the Reconciliation Statements of the Department of Government Printing had been prepared satisfactorily

(a.) General Deposit Account

The following observations are made.

- (i.) Action had not been taken in terms of Financial Regulation 571 relating to a deposit of Rs. 157,860 that had been brought forward for a period of more than 2 years.
- (ii.) A sum of Rs. 3,304,000 deposited in December, 2012 for printing bills for the year 2012, had been retained in the General Deposit Account even as at 31 December 2013 without being settled.

(b.) Revenue Account

The following observations are made.

- (i) According to the Revenue Account made available to the audit, revenue amounting to Rs.546,960,780 had remained due, and been brought forward over a period of 1 to 25 years. Follow-up action for the recovery of the revenue in arrears had been at a weak level.
- (ii) The half-yearly reports on revenue in arrears relating to Revenue Account, had not been prepared in terms of Financial Regulation 128(2)
- (iii) A sum of Rs.132,947,049 belonging to a period of 17 years from 1989 to 2005 and remained recoverable even as at 31 December 2013, had not been recovered even by the end of the year under review.

- (iv) Out of the debtor balance amounting to Rs.546,960,780 as at 31 December 2013, loan balances of Rs.58,756,582 had remained as non-recoverable.
- (v) A sum of Rs.133,322,376 remained recoverable from Educational Publications Department as at 31 December 2013, and of that amount, the Department had deducted Rs.47,480,664 as late payments and fines. Hence, the actual loan balance as at 31 December 2013, amounted to Rs.85,851,712. The said loan balance that had been brought forward over a period of more than 20 years, had not been recovered even by the end of the year under review.

(c.) Reconciliation Statement on the Advances to Public Officers Account

The following observations are made.

- (i) According to the Reconciliation Statement as at 31 December 2013 of the Advances to Public Officers Account – Item No.21101, the total of the balances that remained outstanding for over 02 years amounted to Rs.65,640,483. The Department had failed to recover those balances.
- (ii) The Department had not prepared the Register of Individual Balances in terms of Financial Regulations showing loans and balances of advances.
- (iii) The Department had failed to recover property loans from 12 officers totalling Rs.2,071,832.
- (iv) In connection with property loans issued without properly taking over the Power of Attorney, a total sum of Rs.878,786 could not be recovered from 3 officers.

3.4 Good Governance and Accountability

Annual Procurement Plan

The annual Procurement Plan had not been prepared even by 31 December 2013 in terms of National Budget Circular, No. 128 dated 24 March 2006.

3.5 Assets Management

The following deficiencies were observed during the sample audit carried out on the assets of the Department.

(a.) Under-utilized Assets

The following observations are made.

- (i) Out of a stock of white printing papers purchased in the year 2011 at a cost of Rs. 31,221,741, papers valued at Rs. 25,482,954 had remained at the stores even as at 26 September 2014. As purchases had been made without identifying the requirement properly, stocks of paper had remained unused even after a period of more than 3 years since the date of purchase. Furthermore, a methodology had not been prepared for making use of the stock.
- (ii) After purchasing a stock of white printing papers in the sizes of 30" – 80" and 20"- 80" at a cost of Rs. 28,807,510, the papers had been used for cutting sheets of the sizes 20"x30", 80"x40", and 20"x25". However, those sheets remained at the stores without being used.

(b.) Conducting Annual Boards of Survey

 The following observations are made.

- (i) According to Public Finance Circular No.441 dated 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 verification of goods for the year 2013 should be carried out and the reports should be submitted to the Auditor General before 31 March 2014. However, they had not been submitted even by 31 May 2014. The last verification of goods had been conducted in respect of year 2011.
- (ii) Action had not been taken on the excesses, shortages, and other recommendations pointed out by the Board of Survey reports relating to the year 2011 in terms of the Financial Regulation 757 (2) (a).

(c.) Unsettled Liabilities

 The Department had incurred non- settled liabilities amounting to Rs.10,576,176 that had been brought forward over a period of less than one year as at 31 December 2013. Liabilities valued at Rs.2,859,188 of that had not been shown in the Appropriation Account by the Department.

3.6 Non-compliances

Non-compliances with Laws, Rules, and Regulations

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 ----- Rs.	Non-compliance -----
(a.) Statutory Provisions -----		
Value Added Tax Act, N0, 14 of 2002	5,710,813	The total of VAT amounting to Rs.5,710,813 relating to the period October , November, and December , 2012, had not been transferred to the Commissioner General of Inland Revenue even as at 31 December 2013.
(b.) Financial Regulations of Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulation - 110		Particulars on the losses and damages relating to the vehicles of the Department caused by the accidents, had not been shown in the Registry of Losses and Damages.
(ii) Financial Regulation 104 -		Action had not been taken according to Financial Regulations on a vehicle of the Department that met with an accident, on 10 January 2011 and the vehicle had been parked at the Department premises unsafely without being repaired.
(iii) Financial Regulation 1645 (a) -		Daily running charts and performance reports on the pool vehicles of the Department had not been prepared properly, and presented to the Auditor General.

(c.) Public Finance Circular

 Public Finance Circular, No. -
 369 of 23 March 2001, and
 Presidential Secretariat
 Circular, No. SP/ED/03/08 of
 13 August 2008.

Action had been taken to sell paper wastes and scraps by calling bids from the employees without being taking action in terms of the Circular.

3.7 Weaknesses in Operating Bank Accounts

(a.) Balances to the Adjusted

 An analysis of adjustments shown in the Bank Reconciliation Statements prepared by the Department of Government Printing for the month of December 2013 revealed the following matters.

Description of the Adjustment	Age Analysis			Total
	Over 06 Months and less than 01 year	Over 01 year and less than 03 years	Over 3 Years	
	Rs.	Rs.	Rs.	Rs.
(i) Unrealized deposits	-	548,888	14,944	563,832
(ii) Cheques issued but not presented for payment	21,784	80,111	1,064,902	1,166,757
(iii) Unidentified debits	-	4,170	276,942	281,112
(iv) Unidentified credits	-	136,650	15,786	152,436

The following observations are made in this connection.

(a.) Cheques not Credited to the Account despite being Deposited

According to the bank statement, the value of the cheques that had not been credited to the account despite being deposited, amounted to Rs.563,832.

(b.) Unidentified Payments

Unidentified payments of Rs.228,113 brought forward for a period of more than 2 years, had continuously been shown in the bank reconciliation statement without taking action for settlement.

(c.) Cheques Issued but not Presented for Payment

Action had not been taken in terms of Financial Regulation 396 (d) on cheques totalling Rs.1,166,757 issued had not presented to the bank for payment for a period of more than 6 months.

(d.) Unidentified Receipts

Action had not been taken to settle unidentified receipts totalled Rs.15,785 that had exceeded 3 years.

3.8 Transactions of Contentious Nature

The following transactions of contentious nature were observed during the sample audit checks conducted on the transactions of the Department.

- (a.) The Technical Officer had recommended that the service of preparation and binding of note book covers be obtained from a private institution. The said activity had been carried out on the recommendation of one officer instead of being based on recommendation of a Technical Evaluation Committee comprising at least 3 officers in accordance with Government Procurement Guidelines.

- (b.) Approval had been granted by the letter of the Secretary to the Ministry of Mass Media and Information that covers for the management diaries should be purchased from the same institute that supplied the covers in the preceding year. As this purchase had been made in a manner contrary to the Government Procurement Guidelines, it lacked the competitiveness and transparency of procurement.
- (c.) The accuracy of amounts of fuel obtained through Order Forms had not been inspected by an independent officer. The amount of fuel left in the tank at the end of the day, distance travelled, and kilometerage per liter, had not been shown in the Running Charts.

3.9 Irregular Transactions

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

- (a.) Deviation from Government Procurement Procedure

The following deficiencies were observed during the sample audit check conducted on the supply of goods and services to the Department.

- (i) A sum totalling Rs.435,000 had been paid for purchasing 07 fingerprint scanners and a communications software. These purchases had been made on 06 June 2015, and 17 October 2015 respectively under urgent procurements. Although, the purchase had been made contrary to Government Procurement Guidelines, the Auditor General had not been informed in that connection. Specifications had not been prepared in order to ascertain the standard of the fingerprint scanners purchased. Furthermore, the Technical Evaluation Committee had not compared the specifications with the procurement, and the purchase had been made contrary to Guideline 3.12.2 (1) of the Government Procurement Guidelines.

- (ii) As an annual Procurement Plan had not been prepared, 101.221 Metric Tons of Bond Colored Paper worth Rs.15,385,106 had been purchased locally during the year under review in addition to the purchases made internationally. As action had been taken to purchase 100 Metric Tons of paper on the conditions imposed by the supplier, regardless of the requirement of the Department being 40 Metric Tons, 61.221 Metric Tons of paper had been entered in the stock books, and written off later without any inspection whatsoever. The stock of paper had not been removed from the stores by the supplier.
- (iii) In order to print 60,000,000 instruction sheets for the Department of Elections, the papers required had been obtained from a stock of papers owned by a private institute that had been stored at the warehouse of the Department. The Procurement Committee had approved on 03 May 2015 to purchase 25.275 Metric Tons of paper at Rs. 3,942,738 under urgent procurements, and by that date, 85 per cent of the printing had been completed.

The prices of the paper had been Rs.152,000 and Rs.155,994 per Metric Ton at the purchases made by the Department for the first time and second time respectively. Accordingly, a sum of Rs.3,994 had been overpaid per Metric Ton. As such, the supplier had been overpaid a sum of Rs.100,948 in purchasing papers. Despite being stated as an urgent procurement, it was observed in audit that papers could have been purchased at the price as same as that for the first purchase due to the fact that papers had been stored by the supplier at the stores of the Department.

- (iv) In terms of Guideline 1.2.1 of the Government Procurement Guidelines, procurements should be made in a manner beneficial to the Government by obtaining competitive bids. However, the Government Printer had taken steps to sell the scrap papers to the employees of the Department. Attention had not adequately been drawn on time management and space of stores in the disposal of scrap papers.

- (v) A sum of Rs.5,949,302 receivable to the Department from National Paper Company Ltd, had not been recovered even as at 22 May 2014. A reminder to recover the money after 08 October 2013, had not been sent even by 22 May 2014. Hence, it was observed that the Department had not followed a suitable methodology to recover printing charges in arrears.
- (vi) A sum of Rs.2,915,427 had been spent during the year under review on printing diaries of 3 categories for the Ministry of Mass Media and Information contrary to provisions to be followed in urgent procurements in accordance with Guideline 3.8 of the Government Procurement Guidelines.
- (vii) The following deficiencies were observed in the sample audit check conducted on the purchase of uniforms for the Department.
- Bids had been called for procuring 231 meters of polyester khaki clothes for uniforms. The bid of Rs.139,709 had been accepted and the purchase had been made by turning down the lowest bid of Rs.57,750. Suppliers had not been provided with samples relevant to the color and quality when calling bids.
 - When the Technical Evaluation Committee had not recommended that the specifications of the shoes with lowest bids had not been unsatisfactory, shoes for males and females had been purchased at higher values of Rs.2,151 and Rs.1,900 respectively by turning down the lowest bids of Rs.1,499 for males , and Rs.855 for females.

3.10 Losses and Damages

The following observations are made.

- (a.) Action had not been taken even as at 31 December 2013 to recover the loss of Rs.95,187 assessed in connection with 2 vehicles that met with accidents in the year 2004.

- (b.) Action had not been taken to identify the value of 375 items under 06 categories of computer hardware accessories older than 20 years and not in use. Action had not been taken in that regard as per Financial Regulation 772.
- (c.) As stocks of books and Formats being issued rarely, and several books that remained non-issuable as at 31 December 2013, had been stored in the stores of the Department, the space of the stores had not been managed effectively.
- (d.) Government Procurement Guidelines, and its copies printed by the Department in 2006 on behalf of National Procurement Agency, were being sold by the Distribution Unit without being recorded in the books of the stores.
- (e.) A stock of books with a financial value totalling Rs.11,815,560, and not being issued by the stores, had been stored at the stores. The stock included, a total of 20,056 copies of the books "*Legislative Enactments of the Democratic Socialist Republic of Sri Lanka*" relating to 20 volumes printed, and an edited version of the said book titled "*Supplementary to the Revised Edition of the Legislative Enactments*" valued at Rs.10,529,400, a number of 2,491 copies of the book "*New Law Report*" valued at Rs.896,760, and 1,770 copies of the book "*Voice from Ancient Sri Lanka*" valued at Rs.389,400.
- (f.) Six vehicles of the Department could be found nowhere in the premises of the Department during the physical inspection carried out on 13 January 2014, and nor had those vehicles been utilized for running.

3.11 Uneconomic Transactions

The particulars of transactions entered into devoid of economy revealed during the course of test checks are given below.

- (a.) A sum of Rs.28,126,839 had been spent in the year 2010 for purchasing a computer compatible printer, form printer, and a stationery filing machine together with accessories and cassettes of the sizes 11.69 and 13.5. No printing activity whatsoever had been carried out with the cassettes and accessories purchased for computer compatible printing. Once the cassettes and accessories in the precise size of 11 needed for the machine, had been installed after a period of 2^{1/2} years by spending a sum of Rs.3,917,374 in the year 2012, the machines had become functional. Accordingly, the expenditure of Rs.4,853,383 incurred on the cassettes and accessories that had been purchased in the year 2010 at a cost of Rs.4,853,383, had become uneconomic.
- (b.) Despite a total sum of Rs.42,044,213 had been spent for purchasing the printer, cassettes and other accessories, in the years 2011 and 2012, only two orders of computer based printing valued at Rs.220,000 had been received as at 15 October 2013. Hence, the machine remained underutilized most of the time, and time of the employees assigned for operating the machine, had also remained idle most of the time.

3.12 Management Weaknesses

The following weaknesses were observed during the course of audit test checks conducted on the control of vehicles owned by the Department.

- (a.) A registry of vehicles including details of the vehicles owned by the Department, had not been maintained.
- (b.) Fuel consumption of the vehicles owned by the Department had not been checked once per every 6 months.
- (c.) A register for the spare parts handed over to the stores after being removed from the vehicles, had not been maintained.

- (d.) Daily running charts, and monthly performance reports had not been prepared in connection with pool vehicles of the Department.

3.13 Human Resource Management

Approved Cadre and Actual Cadre

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

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	37	09	28
(ii)	Tertiary Level	08	03	05
(iii)	Secondary Level	1236	732	504
(iv)	Primary Level	664	512	152
		-----	-----	-----
	Total	1,945	1,256	689
		=====	=====	=====