

**Head 108 - Report of the Auditor General of the Ministry of Postal Services and the Department under the Ministry – Year 2013**

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This report consists of two parts

Part I – Summary report relating to the Ministry and the Department under the Ministry

Part II – Detailed report relating to each Appropriation Head

**Part I**

Summary report on the Accounts of the Ministry of Postal Services and the Department under the Ministry

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1. **Department under the Ministry**

Head	Department
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308	Department of Post

2. **Accounts**

2.1 **Appropriation Accounts**

**Total Provision and Expenditure**

The total net provision made for the Ministry and for the Department under the Ministry amounted to Rs.9,252,480,000 and out of that a sum of Rs.9,202,780,670 had been utilized by the end of the year under review. Therefore, the net savings of the Ministry and the Department ranged between Rs.46,034,504 and Rs.3,664,826 or 17 per cent and 0.04 per cent respectively of the total net provision. Details appear below.

Head	<b><u>As at 31 December 2013</u></b>			Saving as a Percentage of Net Provision
	Net Provision	Utilization	Saving	
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	Rs.	Rs.	Rs.	
108	263,980,000	217,945,496	46,034,504	17.4
308	8,988,500,000	8,984,835,174	3,664,826	0.04
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Total	<b>9,252,480,000</b>	<b>9,202,780,670</b>	<b>49,699,330</b>	<b>0.53</b>
	=====	=====	=====	

2.2 **Revenue Accounts**

### **Estimated and Actual Revenue**

The Department under the Ministry had estimated Rs.4,650 Million revenue for the year 2013 under 01 revenue code and out of it Rs.5,907 Million revenue had been collected. That had been 127 per cent of the estimated revenue. Details are shown below.

Revenue Code	<u>As at 31 December 2013</u>			
	Estimated Revenue	Actual Revenue	Over Collection	Over Collection as a Percentage of Estimated Revenue
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	Rs.	Rs.	Rs.	
20-01-02-00	4,650,000,000	5,907,433,288	1,257,433,288	27

### 2.3 **Advance Accounts**

#### 2.3.1 **Advances to Public Officers Account**

##### **Limits Authorized by Parliament**

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

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
10801	5,000,000	3,618,150	1,900,000	5,899,935	30,000,000	12,972,181
30801	700,000,000	647,668,786	480,000,000	564,997,741	2,700,000,000	1,765,042,937

### 2.4 **Imprest and General Deposit Accounts**

#### 2.4.1 Imprest Accounts

The total of the balances of the Imprest Accounts of the Ministry and the Department under the Ministry as at 31 December 2013 amounted to Rs.713,752,397. Details are given below.

<b>Ministry/ Department</b>	<b>Imprest Account Number</b>	<b>Balance as at 31 December 2013</b>
-----	-----	-----
		Rs.
Ministry of Postal Services	7002-349-13	657,172
Department of Post	7002-0000-00-098-0012-000	-
	7002-0000-00-098-0013-000	713,095,225
		-----
Total		713,752,397
		=====

#### 2.4.2 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.53,976,957. The details are given below.

<b>Ministry / Department</b>	<b>Deposit Account Number</b>	<b>Balance as at 31 December 2013</b>
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		Rs.
Ministry of Postal Services	6000/0000/00/0015/0022/000	8,654,519
Department of Post	6000/0000/00/0015/0162/000	45,322,438
		-----
Total		53,976,957
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## **Part 2**

### **Detailed Report relating to each Head**

#### **1. Head 108 - Ministry of Postal Services**

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##### **1.1 Scope of Audit**

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The audit of Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Postal Services 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 07 August 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**

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The Chief Accounting Officer is 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 and the 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 the other major audit findings appearing in paragraphs 1.4 to 1.10 herein, the

Appropriation Account and the Reconciliation Statement of the Ministry of Postal Services have been prepared satisfactorily.

**(a) Budgetary Variance**  
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The following observations are made.

- i. The entire net provision of Rs.100,000 made under one Object had been saved.
- ii. Over provisions had been made for 06 Objects and as such the savings thereunder after utilizing the provisions ranged between 8 per cent to 61 per cent of the net provisions relating to those Objects.
- iii. Provisions of Rs.5,311,000 of 18 Objects had been transferred to 16 Objects through Financial Regulation 66 transfers and a provision of Rs.3,950,000 had been made for 06 Objects by Supplementary Estimates due to non-identifying requirements and non-preparing estimates according to required plans in order to achieve the objectives of the Ministry.
- iv. The explanations stated with regard to the savings of 05 Objects amounting to Rs.43,917,369 could not be accepted according to the matters observed in audit.

**(b) Imprest Accounts**  
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The unsettled imprest balances as at 30 April 2014 totalled Rs.645,815 and a balance of Rs.16,670 relating to the year 2011 and Rs.4,075 relating to the year 2012 were included in that balance.

**(c) Reconciliation Statements of the Advances of Public Officers Account**  
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The following observations are made.

- (i) According to the Reconciliation Statement of the Advances to Public Officers Account – Item No. 10801 as at 31 December 2013, the balances that remained outstanding as at that date totalled Rs.249,224 and the

recovery of such balances had been failed. A sum of Rs.246,674 out of those balances had remained outstanding for over 05 years, and Rs.2,550 had remained outstanding for the periods between 01 year and 02 years.

- (ii) Even though a sum of Rs.42,833 had been shown as a balance to be recovered as at 31 December 2013 from the officers who transferred out on station transfers, such balance had not been included in the age analysis on loans recoverable.
- (iii) According to the books of the Ministry, the balances of the control account as at 31 December 2013 amounted to Rs.10,633,926 while according to the Treasury Printouts the balance amounted to Rs.10,129,610. Accordingly, a difference of Rs.534,316 had been observed between the books of the Ministry and the Treasury Printouts and this difference had remained unsettled continuously from the year 2004. However action had not been taken to identify and settle this difference.
- (iv) The individual list of balances as at 31 December 2013 totalled Rs.11,558,493 and the balance according to the Control Account amounted to Rs.10,663,926. As such a difference of Rs.894,567 was observed but action had not been taken to identify and settle such balance.

## **1.4 Good Governance and Accountability**

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### **1.4.1 Annual Procurement Plan**

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In terms of the Budget Circular No.128 of 24 March 2006, the Annual Procurement Plan had been prepared only on 07 February 2013.

## 1.4.2 Internal Audit

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The following observations are made.

- (a) The following audit functions planned to implement through Internal Audit Plan - 2013 had not been carried out.
  - (i) Examination on acquisition of capital assets, purchases of office equipment and machinery.
  - (ii) To examine on whether the expected functions and the targets on promotional activities on stamps had been achieved.
  - (iii) Examination on Postal Network Improvement Project.
  - (iv) Examination on Personal Files.
  - (v) Examination on Development of Human Resources and staff training of the Ministry.
  - (vi) Review of procurements.
  
- (b) A system audit had not been carried out and it had not been contributed to strengthen the internal control systems in terms of the provisions of the Audit and Management Circular No,DMA.2009(1) dated 09 June 2009.
  
- (c) The officers who recruited as internal audit officers were graduate trainees while internal or external training sessions had not been conducted to provide an adequate training on their knowledge, skills, responsibilities and professional ethics.
  
- (d) Even though the approved cadre of the Internal Audit Unit had been 05 Assistant Audit Officers, the actual cadre stood at 04.

## 1.5 Assets Management

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The following observations are made

### (a) Irregular Use of Assets belonging to other Institutes

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A vehicle belonging to Udarata Development Unit had been utilized by the Ministry without being transferred.

**(b) Disposal of Non-current Assets**  
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Even though the cost of 02 vehicles disposed during 2013 which purchased after the year 2004 should have been shown under disposals, the sales value of those 02 vehicles amounting to Rs.1,657,400 had been shown under disposals during the year.

**(c) Unsettled Liabilities**  
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In terms of Financial Regulation 94(i) the liabilities should be committed only, if the current year provisions are adequate thereon. Nevertheless the liabilities amounting to Rs.1,600,375 had been committed for 18 Objects exceeding the provisions for the year 2013 and these liabilities had been settled from the provisions of the year 2014.

**1.6 Non-compliances**  
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**(a) Non-compliance with Laws, Rules, Regulations etc.**  
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Instances of non-compliance with the provisions of laws, rules, and regulations observed during audit test checks are analyzed below.

	<b>Reference to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non-compliance</b>
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		<b>Rs.</b>	
(i)	Pubic Finance Circular No.353(3) dated 30 September 1997 Paragraph (ii)	13,383,462	Even though 10 vehicles had been disposed of by the Ministry in the year under review, the Condition Reports with the Assessment Report had not been furnished.
(ii)	National Budget Circular No.128 f 24 March 2006	41,996,012	Purchase of Barcode Reading Machines and 275 computers and accessories had not been included



in the Procurement Plan approved by the Director General of Public Finance.

## **1.7 Weaknesses in the Implementation of Projects**

### **----- Post Office Network Project -----**

According to the Cabinet Memorandum No.12/2007 dated 31 October 2007 for implementation of the Post Office Network Project, it was expected to achieve the objectives on establishment of a formal methodology to collect revenue, establishment of strategies to earn income from new businesses, maintenance of income and expenditure in equal level to avoid continuous losses incurring by the Department of Post. The following observations are made thereon.

- (a) This project commenced in 2008 with an estimated cost of Rs.300 million was expected to complete by 31 December 2012. Nevertheless it had not been completed even by 31 March 2014.
- (b) Even though the estimated cost to be incurred for the project activities during the year under review amounted to Rs.165 million, only a sum of Rs.125.41 million or 76 per cent of the estimated cost had been incurred.
- (c) Establishment of Data Centres and the establishment of Disaster Reinforcement Unit Facilities which are the 02 main functions of the project had not been carried out. Even though it was informed to audit on 21 August 2014, that action had been taken to terminate 16 modules which due to obtain under the consultancy of Moratuwa University due to practical problems in implementation and action will be taken to obtain the relevant facility with a least cost by strengthening the Information Technology Unit of the Ministry instead of construction of the data centre, such actions had not been implemented even up to December 2014.

- (d) The objective of to maintain income and expenditure in equal level to avoid continuous losses incurring by the Department of Post through this project, could not be achieved even during the year under review. A loss of Rs.2,859 million had been incurred by the Department in the year 2013.

## **1.8 Transactions of Contentious Nature**

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According to the Circular No. CA/1/17/1 of 14 May 2010 of the Presidential Secretariat, it was emphasized that, the Government institutions as far as possible should be maintained in the Government buildings to utilize the provisions made for Government institutions in a reasonable manner and with maximum efficiency. Nevertheless a private building had been obtained at a monthly rental of Rs.500,000 on 18 November 2013 without calling quotations for the Office of the Deputy Minister maintained in the Head Quarters Building

## **1.9 Losses and Damage**

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The following observation is made.

It was decided to recover the stock shortage in the stores on 01 September 2008 amounting to Rs.815,000 from two officers as installments of Rs.271,668 and a sum of Rs.57,729 had been recovered thereof as at 31 December 2013. While no amount whatsoever had been recovered from the balance amount of Rs.543,332 to be recovered from the officer concerned even by 31 December 2013.

## 1.10 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
Senior Level	12	12	-
Tertiary Level	03	02	01
Secondary Level	52	45	07
Primary Level	28	25	03
Other(Casual)	04	03	01
Total	99	87	12

Following observation is made.

It had been failed to fill 12 vacancies by the end of the year under review.

## 2. **Head 308 - Department of Post**

### 2.1 **Scope of Audit**

The audit of Appropriation Account and the Revenue Account including the financial records, reconciliation statements, books, registers and other records of the Department of Post 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 05 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.

## **2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements**

-----

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statement 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 the 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**

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According to the Financial Records and 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 the other major audit findings appearing in paragraphs 2.4 to 2.13 herein, the Appropriation Account Revenue Account and the Reconciliation Statements of the Department of Post had been prepared satisfactorily.

### **(a) Budgetary Variance**

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The following observation is made.

Excess provisions had been made for 11 Objects and as such the provisions of Rs.59,020,900 had been transferred to other Objects through Financial Regulation 66 transfers.

### **(b) General Deposits Account**

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The following observations are made.

- (i) Action had not been taken in terms of Financial Regulations 571 in respect of 140 deposits amounting to Rs.34,707,258 remaining over 02 years.

- (ii) A sum of Rs.27,255,850 granted from Universal Post Fund in the year 2011 had been retained in the Deposit Account without achieving relevant activities and a sum of Rs.4,319,665 out of that amount had been returned to Universal Postal Society on 03 February 2014 without being utilized.

**(c) Revenue Account**  
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The following observations are made.

- (i) According to the Revenue Account presented, revenue totalling Rs.112,721,537 had been in arrear and it was relating to the period ranging from 01 year to 06 years. The follow-up actions to recover those balances had been at a weak level.
- (ii) The arrears of revenue on Commission of electricity bills had been understated by Rs.61,942,522 in the Statement of Arrears of Revenue as at 31 December 2013.
- (iii) Even though the outstanding revenue of Postal Business as at 31 December of the year under review furnished to audit by the Division of Postal Business had been Rs.61,071,857, it was brought to account as Rs.21,642,176.
- (iv) A sum of Rs.154,116,014 comprising outstanding revenue on bulk post of Rs.14,388,168 and outstanding revenue on free post of Rs.139,727,846 had not been brought to account.
- (v) A sum of Rs.179,579,667 relating to the years 2009, 2010, 2011 and 2012 had been identified as outstanding revenue from International Post and had been adjusted in the year under review. As such it was observed in audit that the value disclosed at the end of the year shown as outstanding revenue of International Posts was not realistic.

- (vi) A sum of Rs.35,262,146 had been retained in the Miscellaneous Deposit account as at 31 December 2013 instead of computing the profit of the Communication Centres and brought to account as revenue. The revenue of Communication Centre, Gampaha amounting to Rs.63,240 only had been brought to account as revenue.

**(d) Reconciliation Statement of Advances to Public Officers Account**

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The following observations are made.

- (i) According to the Reconciliation Statement of the Advance Account – Item No,30801 as at 31 December 2013, the balances that remained outstanding as at that date totalled Rs,30,431,469 and the institute had failed to recover those outstanding balances.
- (ii) The cash defrauded amounting to Rs.290,000 in payment of loan advances in the District Accounts Office, Kalutara was not revealed in the Summary of Individual Balances and as such the debit balance as at 31 December 2013 had been shown as Rs.1,765,283,132 overstating by such amount.
- (iii) The difference between the individual balances and the balance of the control account of District Accounts Office, Batticaloa had been Rs.258,262.

**2.4 Good Governance and Accountability**

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**2.4.1 Annual Action Plan**

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An action plan had been prepared and furnished as to represent only the procurements for the year under review.

## 2.4.2 Internal Audit

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The following observations are made.

- (a) Examination on Postal Business income of Central Mail Exchange, examination on Mail Franking Machine Division, and examination on the functions of the International Post, Registered letters Division, and Accounts Division included in the Audit Programme prepared by the Internal Audit Division for the year 2013, had not been carried out.
- (b) A Procedure Manual in a manner to be shown the segregation of duties of the Internal Audit Division and the responsibilities of each officer had not been maintained.
- (c) It was observed that vacancies of 29 Postal Accounts Examiners and 35 Assistant Postal Accounts Examiners had remained in the Internal Audit Division. As the action had not been taken to fill those vacancies it was badly affected to the performance of such division.
- (d) The unreplied internal audit queries as at 07 October 2014 which issued in the year 2013 and the preceding years, but necessary actions had not been taken amounted to 38.

## 2.5 Assets Management

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### (a) Idle and Underutilized Assets

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It was observed during audit test checks that certain assets remained either idle or underutilized as analyzed below.

<b>Category of Assets</b>	<b>Number of Units</b>	<b>Period of Idling or Under utilization</b>
(i) Buildings	01	One year
	08	not computed
(ii) Machinery	03	07 years
	04	04 years
	01	01 year
	359	not computed
(ii) Others	24	not computed

**(b) Liabilities**

The following observations are made.

- (i) Even though it should not be committed for the liabilities exceeding the provisions in terms of Financial Regulation 94(1), the liabilities amounting to Rs.111,284,811 had been committed exceeding the provisions of each Object relating to 11 Objects.
- (ii) Liabilities valued at Rs.13,016,745 for the year 2013 which paid in the year 2014 had not been included in the Statement of Liabilities.

**2.6 Non-compliances**

**Non-compliance with Laws, Rules and Regulations etc.**

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

<b>Reference to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non-compliance</b>
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka	<u>Rs.</u>	
(i) Chapter VIII Section 6.1		The salary per day of an officer who paid monthly salary should be computed on 1/30 of monthly



consolidated salary. Nevertheless in payment of overtime allowance it had been paid on 1/30 of monthly consolidated salary plus an additional allowance of 25 per cent

- (ii) Chapter viii  
Section 7.2

Even though the authority for payment of overtime exceeding 20 hours limit per month for an officer could be given by the Secretary of the relevant Ministry, it was revealed at audit test checks carried out in two offices, that the approval of the Secretary to the Ministry had not been obtained for overtime exceeding 20 hours.

(b) Public Administration Circulars

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- (i) Circular No.09/2009 of 16 April  
2009

Even though action should be taken to mark arrival and departure of employees by a finger print machine, it was observed that the finger print machines had not been used in 3 offices in which employees served more than 40.

- (ii) Circular No. 6/2004 (1) of 30  
December 2011.  
Paragraph 02

2,900,000

The former Post Master of the Havelock Town had been interdicted by the letter No. MPS/ADM/3/12/37 dated 30 January 2013 of Secretary of the Postal Services due to cash more than Rs.2.9 million defrauded by him. However he was reinstated by the letter of the Secretary of Senior Administration Headquarters dated 04 July 2013 though he had done a misappropriation according to Section 31.11 of paragraph XLVIII of the part II of the Establishments Code.

(c) Treasury Circulars

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Circular No. 1/2002 of 17 July 2002  
Paragraph 07

Even though the Quarterly Revenue Reports should be forwarded to Director General of Department of State Fiscal Policy and Economic Affairs within 15 days from the date after the period ended, those reports had been submitted with a delay ranged from 06 days to 48 days.

(d) Public Finance Circulars

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Circular No.446 dated 01 September 2010 and Circular No.19/16 Telephone/58 and 2010 dated 02 November 2010 issued by the Post Master General 160,389

Even though it was informed to recover telephone charges when exceeding the limits imposed to the officers who used official telephones from their salaries, telephone charges of 08 Officers which exceeded the limits had not been recovered.

(e) Post Master General Circulars

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(i) Circular No PF1/15/2009 of 30 July 2009 105,235

The annual provisions should not be exceeded in supplying free postal facility to Government institutions. Nevertheless the Polonnoruwa, Post Office had given the free postal facility exceeding such limit

(ii) Circular 14/2000 Accounts dated 07 November 2000  
Paragraph 4.1

The stock verification should be carried out indicating the balance stock in hand and the value of the stock as at end of each month. But it was observed at audit test check that 02 Communication Centres had not taken action accordingly.

(iii) Paragraph 7

Even though a Trial Balance, Profit and Loss Account and a Balance Sheet should be prepared as at the end of every month, 04 Communication Centres had not taken action accordingly.

(iv) Letter No. DA/Col.P.Ref/1/2001 of Deputy Post. Master General dated 10 December 2001.

Even though the physical verification of stock should be carried out once in every 06 months under the supervision of Regional Superintendent of Post, action had not been taken accordingly in 04 Communication Centres.

## 2.7 Performance

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The observations on progress of the Department according to the Annual Budget Estimate 2013 and the Action Plan are given below.

### (a) Annual Income

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The income earned and the expenditure incurred by the Department of Post as compared with the previous year are given below.

Details	2012	2013	Increase/ (Decrease) as a Percentage.
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	Rs. Million	Rs. Million	
Income	4,952	5,907	19
Expenditure	8,258	8,766	6.1
Operating Deficit	3,306	2,859	(13.5)
	=====	=====	

- (i) The income for the year had increased by Rs.955 million or 19 per cent as compared with the preceding year. The operating deficit had decreased by 14 per cent. Increase of Stamp Income, International Mail Income, Electricity Bills Income, Bulk and Business Mail Income had been the reasons for this increase of income.
- (ii) However, the income from Stores Charges, Express Mail, Letter Collecting Charges and Communication Centres which are the 04 income items directly contributed to the Department had decreased ranging from 17 per cent to 40 per cent as compared with the preceding year.
- (iii) One objective out of the objectives of Post Office Network Project commenced in the year 2007, is to prevent the continuous losses incurring in the Department of Post and maintain an equality position in income and expenditure. But the operating deficit of the Department during the year under review amounted to Rs.2,859 million.

**(b) Key Activities not carried out Adequately**

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Several instances that key activities had not been carried out adequately by the Department revealed at audit test checks are given below.

- (i) Even though 70 Government institutions and 28 private institutions are situated within the Battaramulla postal area, specific procedure had not been implemented for distribution of letters to such offices. Action had been carried out to distribute letters for this area in a manner to distribute letters for other normal postal area. Therefore letters had been received by the offices with delays.

- (ii) It was observed that the distribution of letters by the Battaramulla Post Office had been delayed in certain days. Due to lack of postmen, the letters had not been distributed when they were on leave.
- (iii) Even though the main functions of the investigation division is to investigate the irregularities occurred in the post offices and other divisions administered under the Department of Post and to determine the responsible officers, it was observed that these functions had been carried out at slow pace. It was observed at test checks that the investigations carrying out on the frauds amounting to Rs.8,613,000 in 04 post offices had already been delayed for the periods ranging from 03 years to 13 years.
- (iv) Two hundred incidents had been handed over to investigate to investigation officers during the years 2012 and 2013 but only 09 incidents out of that had only been completed by 05 September 2013. As such the incidents which not completed the investigations had been 191. Therefore the damage occurred to the assets and the goodwill of the Department could not be restored and as such it had been a barrier to achieve the expected target of the Department

(c) **Planning**

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**Non-compliance with the Annual Action Plan**

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

- (i) Ten activities on repairs and improvements included in the action plan for the year under review had not been carried out while 63 items of repairs and improvements not included in the action plan

had been carried out. In addition to that 20 vans and 20 bicycles not included in the plan had been purchased.

- (ii) A sum of Rs.2.05 million had been allocated for Rehabilitation and Improvements of Buildings under Head office while the activities to be carried out had not been included in the Action Plan. According to the Progress Report, 32 activities had been carried out by spending Rs.16.988 million.

## 2.8 Deficiencies in the Operation of Bank Accounts

### (a) Balances for Adjustment

Information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statements prepared as at 31 December 2013 by the Department of Post is given below.

Particulars of Adjustments	Age Analysis			Total
	Over 06 months less than 01 year	Over 01 year less than 3 years	Over 03 years	
	Rs.	Rs.	Rs.	Rs.
(i) Unrealised Deposits	152,878	276,586	500,100	929,564
(ii) Cheques issued but not presented for payment	32,629	20,599	760	53,988
(iii) Unidentified Debits	2,299	319	50,000	52,618
(iv) Unidentified Credits	4,066,640	-	-	4,066,640
	4,254,446	347,504	500,860	5,102,810

The following observations are made in this connection

- (i) Action in terms of Financial Regulation 396 had not been taken on 20 cheques valued at Rs.53,988 which had not been presented for payment even after elapsed of 06 months as at 31 December 2013.
  
- (iii) Hundred and Sixteen deposits deposited in 06 current accounts of District Accounts Offices valued at Rs.929,564 had not realized even after elapsed of 06 months.
  
- (iii) The receipts of Rs.4,066,640 relating to 04 bank accounts as at 31 December 2013 had not been identified and a sum of Rs.3,962,607 out of that had belonged to District Accounts Office, Jaffna.
  
- (iv) Debit balances of Rs.52,618 relating to 04 bank accounts as at 31 December 2013 had not been identified. Unidentified debit balances over 03 years had been Rs.50,000.

## **2.9 Transactions of Contentious Nature**

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The following observation is made.

Action had not been taken to carry out an investigation relating to the incident of taking out and misusing the Stamp Franking Machine No. FR 0112 from the post office which installed on the postal counter of “Kandy City Centre”, Kandy during the period from 14 September 2013 to 28 September 2013 without permission and to identify the responsible officers and compute the loss caused to the Department of Post and to recover the loss.

## **2.10 Irregular Transactions**

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Certain transactions entered in to by the Department were irregular. Several such instances observed are given below.

## **Deviation from Procurement Procedure**

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### **(a) Selection of a Contractor for Air Mail Service**

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- (i) According to the agreement entered into with the Contractor Company the Air mail service should be implemented from 01 January 2013. Nevertheless that company had failed to carry out this activity. Eventhough this contractor had been selected on the approval of the Cabinet of Ministers, the failure to supply the service by the contractor had been informed to the Cabinet of Ministers only on 09 December 2013.
- (ii) As action had not been taken according to the agreement entered into with the company the Cabinet of Ministers had approved to cancel the contract and to settle the financial loss by Performance Bond valued at Rs.20 million on 03 January 2014 but it was not recovered up to date. A court order had been taken by that institute from the courts against on payment by Performance Bond by the Bank to the Department and as such it could not be recovered.
- (iii) The contractor's name had not been blacklisted on abandoning the contract even by 07 October 2014 in terms of the paragraph 8.11.4 and 8.11.5 of National Procurement Guidelines of 25 January 2006.

### **(b) Repairs to Circuit Bungalow, Mannar**

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The following observations are made.

- (i) Even though it was informed to the contractor that a Performance Bond should be submitted before 01 December 2012 for the repairs of the circuit bungalow by the procurement letters, the Performance Bond had been submitted by the contractor only on 21 January 2013.



- (ii) According to the awarding letter of the contract, it was agreed to commence the constructions on 12 December 2012 and to complete on 31 January 2013. Nevertheless the agreement relating to the constructions had been signed only on 27 January 2013.
- (iii) The repairs had not been completed even by 08 January 2014. Liquidated damages had not been recovered for the delayed period at the rate of Rs.5,825 per day subject to maximum of 10 per cent of the contract amount in terms of the paragraph 6.4 of the agreement.
- (iv) Even though the period of the performance bond had ended by 31 March 2013, action had not been taken to extend the period of the Performance Bond. It was a violation of the provisions of the paragraph 5.4.8(b) of the Procurement Guidelines 2006.

**(c) Construction of the Post Office Complex Building, Annuradhapura and Construction of Post Office Building, Avissawella.**

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The following observations are made.

- (i) These constructions had been handed over to Department of Buildings by the Department of Post but an agreement had not been entered between the Department of Post and the Department of Buildings relating to these constructions.
- (ii) The designs and the estimates of proposed constructions of the buildings had not been prepared by the Department of Post.
- (iii) The agreements entered into with the private contractor for these contracts by the Department of Buildings were not made available for audit.
- (iv) The release of the funds had not been made based on the reports of the work done in releasing the funds amounting to Rs.90,544,820 and as such

it could not be examined that the work had been adequately done as compared with the funds released.

- (v) Even though these constructions had been commenced in the years 2010 and 2011 the work had not been completed even by the year 2014.
- (d) Even though a proper contract agreement should be signed for a Goods and Services Contract which exceeded Sri Lankan Rupees 500,000 in terms of the Guideline 8.9.1 (b) of the Government Procurement Guidelines, the agreements had not been signed for 05 contracts valued at Rs.11,736,772 accordingly.

## **2.11 Transactions of Fraudulent Nature**

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The particulars of transactions of fraudulent nature observed at audit test checks are given below.

- (a) Even though the internal audit division had reported that a cash shortage of Rs.1,663,965 had been done by the Post Master, Mulathivu, a Departmental investigation had not been carried out and the disciplinary action had not been taken.
- (b) Cash amounting to Rs.290,000 had been defrauded in District Account Office, Kalutara by utilizing two distress loan vouchers prepared fraudulently.

## **2.12 Management Weaknesses**

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The following weaknesses were observed during audit test checks.

- (a) It was revealed during audit test checks, that the services of the Communication centres of Rajagiriya and Havelock Town Post Offices had not been operated.
- (b) Due to non-maintenance of any record by the Post Master relating to daily sales of Communication Centre of the Malabe Post Office, a gross daily income had been remitted to District Account Office as income.

- (c) It was revealed that postal bags had been handed over to drivers and conductors of Ceylon Transport Board by keeping the cash in that bags in making remittances of cash to the sub-post offices by the Post Office of Kalutara. Even though a secured methodology should be followed for remitting cash to sub-post offices from Main Post Office, the Department of Post had not implemented such a methodology. A sum of Rs.555,000 had been so sent by buses in 06 instances during August 2013.
- (d) Ninety three National Savings Labels valued at Rs.4,650,000 had remained in the Post Office, Kalutara since the year 2010.
- (e) The particulars relating to arrival and departure recorded in the time recording machine had not been based in calculation of overtime hours in the District Account Office, Kalutara while the overtime payments had been made based on the overtime hours on claims prepared which recorded the time according to the option of each officer.
- (f) Even though the office activities should be regularly subjected to the supervision of Regional Superintendent of Post, no supervision what so ever had been carried out in the post office Borella even in one day from January to September 2013.
- (G) It was revealed at audit test checks that excess of stamp stocks had been maintained exceeding the stamp stock limit given to the post offices. Details are given below.

<b>Post Office</b>	<b>Period Subjected to Audit</b>	<b>Stamp Limit</b>	<b>Excess of Stamp Limit</b>
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		<b>Rs.</b>	<b>Rs.</b>
Battaramulla	from 10 August to 07 September 2013	1,800,000	17,260,920
Kalutara	August 2013	2,100,000	4,709,325
Borella	from 10 August to 10	5,000,000	29,967,570

	September 2013		
Gampaha	September 2013	8,500,000	3,182,345

- (h) It was revealed at audit test checks that surplus cash had been maintained in excess of cash imprest limit given to Post Offices. Details are given below.

<b>Post Office</b>	<b>Period Subjected to audit</b>	<b>Cash Imprest Limit</b>	<b>Excess</b>
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		<b>Rs.</b>	<b>Rs.</b>
Battaramulla	from 10 August to 07 September 2013	150,000	12,303,000
Kalutara	August 2013	450,000	6,891,450
Borella	August 2013	1,500,000	3,478,451
Gampaha	September 2013	450,000	14,545,465

## 2.13 Human Resources Management

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

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

<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
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Senior Level	121	78	43
Tertiary Level	147	68	79
Secondary Level	8,854	7,804	1,050
Primary Level	12,871	12,162	709
Other (Casual/ Temporary/ Contract basis)	4,788	4,788	-
Total	26,781	24,900	1,881

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The following observations are made.

- (a) The Institute had failed to fill 1,881 vacancies by the end of the year under review.
  
- (b) Even though twenty Postmen had been assigned to the Post Office, Battaramulla for 20 Distribution Zones of letters of Post Office, Battaramulla, only 14 Postmen had been included in the approved cadre. Action had not been taken to amend the approved cadre, based on the requirement of office.