

## Report of the Auditor General on Head 102 – Ministry of Finance and Planning and the Departments under the Ministry – Year 2014

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Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the Ministry and the Departments the Ministry and the Audit Observations on each Head appear in paragraphs 3 onwards.

### 1 Departments under the Ministry

<b>Head</b>	<b>Departments</b>
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237	Department of National Planning
238	Department of Fiscal Policy
239	Department of External Resources
240	Department of National Budget
241	Department of Public Enterprises
242	Department of Management Services
243	Department of Development Finance
244	Department of Trade, Tariff and Investment Policy
245	Department of Public Finance
249	Department of Treasury Operations
250	Department of State Accounts
251	Department of Valuation
280	Department of Project Management and Supervision
296	Department of Import and Export Control
323	Department of Legal Affairs
324	Department of Management Audit
329	Department of Information Technology Management
-	Financial Statements of the Democratic Socialist Republic of Sri Lanka

### 1.1 Scope of Audit

The audit of the Appropriation Accounts, Revenue Accounts, Non-commercial Advance Accounts and the Reconciliation Statements including the financial records, books, registers and other records of the Ministry of Finance and Planning and the Departments appearing in paragraph 1 above for the year ended 31 December 2014 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 Reports for the year under review were issued to the Chief Accounting Officer and the Accounting Officers on the undermentioned dates. 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 limitation of staff, other resources and time available to me.

<b>Head</b>	<b>Ministry / Department</b>	<b>Date of Issue of the Management Audit Report</b>
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102	Ministry of Finance and Planning	06 October 2015
237	Department of National Planning	25 August 2015
238	Department of Fiscal Policy	28 August 2015
239	Department of External Resources	31 August 2015
240	Department of National Budget	25 August 2015
241	Department of Public Enterprises	01 September 2015
242	Department of Management Services	10 August 2015
243	Department of Development Finance	01 September 2015
244	Department of Trade, Tariff and Investment Policy	25 August 2015
245	Department of Public Finance	12 August 2015
249	Department of Treasury Operations	23 September 2015

250	Department of State Accounts	03 August 2015
251	Department of Valuation	03 July 2015
280	Department of Project Management and Supervision	01 September 2015
296	Department of Import and Export Control	01 September 2015
323	Department of Legal Affairs	31 August 2015
324	Department of Management Audit	13 August 2015
329	Department of Information Technology Management	22 July 2015
-	Financial Statements of the Democratic Socialist Republic of Sri Lanka	14 July 2015

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

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

## 2. **Accounts**

### **Appropriation Accounts**

#### **Total Provision and Expenditure**

The total net provisions made for the Ministry and the 17 Departments under the Ministry amounted to Rs.1,149,577 million and out of that Rs.1,121,121 million 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.0.15 million to Rs.25,676.37 million or 0.03 per cent to 30.05 per cent of the net provisions. Details appear below.

Head	As at 31 December 2014			Balance as a Percentage of the Net Provision
	Net Provision	Utilisation	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
102	5,704.30	4,495.23	1,209.07	21.20
237	173.36	145.67	27.69	15.97
238	75.89	75.74	0.15	0.20
239	1,537.15	1,075.19	461.96	30.05
240	2,987.10	2,613.13	373.97	12.52
241	11,407.92	11,404.02	3.90	0.03
242	38.82	35.28	3.54	9.12
243	7,964.05	7,304.49	659.56	8.28
244	761.94	741.35	20.59	2.70
245	190.55	190.28	0.27	0.14
249	1,117,378.81	1,091,702.44	25,676.37	2.30
250	33.34	32.03	1.31	3.93
251	1,041.35	1,035.07	6.28	0.60
280	74.05	71.44	2.61	3.52
296	54.83	54.41	0.42	0.77
323	18.18	17.45	0.73	4.02
324	27.90	25.97	1.93	6.92
329	107.57	101.94	5.63	5.23
Total	1,149,577.11	1,121,121.13	28,455.98	2.48

## 2.2 Revenue Accounts

Even though 05 Departments under the Ministry had estimated revenue amounting to Rs.1,433,252 million under 58 Revenue Codes for the year 2014 in the original estimate, that had been reduced to Rs.1,320,360 million in the revised estimate. Out of that revenue totalling Rs.1,115,937 million had been collected. Revenue ranging from 19 per cent to 5,865 per cent of the revised estimate of Revenue had been collected. Details appear below.

Revenue Accounting Officer	Revenue Code	Revised Revenue Estimate	Actual Revenue	(Under Collection)/ Over Collection	Percent age
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		Rs.Millions	Rs.Millions	Rs.Millions	
Director General of Fiscal Policy	10.02.10.00	40	86.06	4 6.06	215
Director General of Treasury Operations	10.02.11.00	32,000	31,351.49	(648.51)	98
Director General of National Budget	20.01.03.00	145	158.33	13.33	109
Director General of Treasury Operations	20.02.01.01	650	641.73	(8.27)	99
- do -	20.02.01.99	3,120	3,509.95	389.95	112
- do -	20.02.02.01	8,425	6,757.89	(1,667.11)	80
- do -	20.02.02.99	1,475	1,220.17	(254.83)	83
Director General of Public Enterprises	20.02.03.00	38,440	42,136.52	3,696.52	110
- do -	20.02.04.00	4,960	4,677.09	(282.91)	94
Director General of Treasury Operations	20.03.01.00	100	98.75	(1.25)	99
Chief Valuer	20.03.02.09	70	110.03	40.03	157
Director General of Treasury Operations	20.03.02.99	8,000	2,851.66	(5,148.34)	36
- do -	20.03.03.00	3,000	2,735.87	(264.13)	91
- do -	20.03.99.00	12,000	4,705.35	(7,294.65)	39
Director General of Fiscal Policy	20.05.01.00	23,000	11,500.00	(11,500.00)	50

Director General of Treasury Operations	20.05.99.00	2,200	1,867.98	(332.02)	85
- do -	20.06.02.00	300	17,604.34	17,304.34	5,868
Director General of Treasury Operations	20.06.04.00	14,750	14,892.39	142.39	101
- do -	30.01.01.00	32,000	9,415.03	(22,584.97)	29
Director General of National Budget	20.03.04.00	2,500	5,737.58	3,237.58	230
Total		187,175	162,058.21	(25,116.79)	

## 2.3 Advance Accounts

### 2.3.1 Advances to Public Officers Accounts

#### Limits Authorised by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry and 17 Departments under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
10201	12.0	10.42	8.5	8.69	70	45.76
23701	4.6	3.96	2.5	3.02	25	15.79
23801	2.5	2.49	1.0	1.57	10	7.68
23901	4.5	4.49	2.5	3.18	30	16.06
24001	5.5	3.56	3.5	3.94	28	18.56
24101	4.0	2.81	1.6	2.58	19	12.46
24201	3.0	2.7	1.7	1.75	15	11.75

24301	2.5	1.22	0.4	0.94	9	5.83
24401	2.5	1.32	1.3	1.51	12	8.03
24501	3.0	2.12	1.2	1.65	16	7.95
24901	4.0	3.95	2.5	3.81	21	16.46
25001	3.5	1.46	1.2	1.32	15	6.54
25101	17.0	16.94	12	14.17	70	63.22
28001	5.0	3.42	2.2	2.44	20	11.37
29601	4.0	3.35	2.0	2.37	20	14.38
32301	1.0	0.4	0.2	0.28	3	1.41
32401	3.0	1.91	1.25	1.67	10	7.26
32901	1.0	0.99	0.2	0.58	6	3.05

### 2.3.2 Non-commercial Advance Accounts

A Department under the Ministry had maintained two Non-commercial Advance Accounts.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
25002	4.00	3.49	3.50	3.55	3.50	0.11
25003	10.00	111.30	2.50	115.76	513.00	342.64

### 2.4 Imprest Accounts

The balance of the Imprest Account of the Department of National Budget under the Ministry, as at 31 December amounted to Rs.0.08 million.

## 2.5 General Deposit Accounts

The total of the General Deposit Accounts of the Ministry and 07 Departments under the Ministry, as at 31 December 2014 amounted to Rs.20.72 millions. Details appear below.

Ministry / Department	Deposit Account Number	Balance as at 31 December 2014
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		<b>Rs.Millions</b>
Ministry of Finance and Planning	6000/0000/00/0015/0016/000	20.42
Department of Fiscal Policy	6000/0000/00/0015/0118/000	0.04
Department of Trade, Tariff and Investment Policy	6000/0000/00/0015/0124/000	0.02
Department of Treasury Operations	6000/0000/00/0015/0129/000	0.01
Department of State Accounts	6000/0000/00/0015/0130/000	0.13
Department of Valuation	6000/0000/00/0015/0131/000	0.08
Department of Import and Export Control	6000/0000/00/0015/0151/000	0.01
Department of Management Services	6000/0000/00/0015/0122/000	0.01
		-----
Total		<b>20.72</b>
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## 2.6 Audit Observations

According to the Financial Records and the Books for the year ended 31 December 2014, the Appropriation Accounts, Revenue Accounts, Non-Commercial Advance Accounts and Reconciliation Statements of the Ministry of Finance and Planning and 17 Departments under the Ministry had been prepared satisfactorily subject to the observations included in the Management Audit Reports referred to in paragraph 1.1 above. The material and important observations out of the observations included in those Management Audit Reports appear in the paragraph 3 to paragraph 20.



### 3. Head 102 – Ministry of Finance and Planning

#### 3.1 Appropriation Account

##### 3.1.1 Budgetary Variance

Excess provisions had been made for 08 Objects and as such the savings, after the utilization of provisions, ranged between 19 per cent to 92 per cent of the net provisions relating to the respective Objects.

##### 3.2 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled to Rs.843,900 and those outstanding balances related to periods ranging from 01 year to 05 years. Even though the Ministry had taken various steps for the recovery of those loan balances, it had failed to recover those loan balances.

##### 3.3 Non-compliances

According to paragraph 07 of the Public Administration Circular No. 13/2008 of 26 June 2008, the maximum distance for providing group transport facilities between residence and office is 50 kilometres. Nevertheless, an examination of the Daily Running Charts revealed that those facilities exceeding that limit had been provided to 70 officers.

##### 3.4 Performance

The observations on the progress of the Ministry according to the Annual Budget Estimates and the Action Plan for the year 2014 are given below.

- (a) Even though the modernization of the General Treasury Building at a cost estimate of Rs.80,176,033 of the year 2014 should have been executed and completed in April and May 2014, work had been started in February 2015.
- (b) The engineering estimate for the new Treasury Building for which provision of Rs.1,275,000,000 had been made in the Budgets for the years 2013 and 2014 had been Rs.1,157,040,095 while the construction of the building had been awarded to a private company for Rs.1,317,312,223 and the supply of consultancy services had been awarded to a Public Corporation for a sum of Rs.65,865,611. But extent

of its physical construction works, by 31 December 2014 had been less than 60 per cent.

### 3.5 Irregular Transactions

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

#### (a) Deviation from the Government Procurement Procedure

The following observations are made.

The following deficiencies were observed in respect of the procurement for landscaping of the Finance Ministry for the years 2013 and 2014.

- (i) The National Competitive Bidding Principles in terms of the Guideline 3.4.2(b) of the Government Procurement Guidelines had not been followed where applicable in the comparison of quotations.
- (ii) The institution which had entered into the agreement for the procurement of landscaping work for the year 2013/2014 had not been included in the 09 institutions from which the Ministry of Finance had invited quotations. The audit was informed that the name of that institution could not have been included due to an oversight of the officer in charge of the subject.
- (iii) Even though a Bid Opening Committee should be appointed in terms of the Guideline 6.3.3(a) of the Government Procurement Guidelines, such appointment had not been made for the above procurement. Even though all the members of the Bid opening Committee should sign the format of the proceedings of the bid opening, none of the officers had signed the format. It was informed that the officers had not signed due to an oversight.
- (iv) Even though the lowest evaluated responsive bid out of the bids received should be determined in terms of the Guideline 7.7.1(a) of the Government Procurement Guidelines, the Technical Evaluation

Committee relating to the above procurement had rejected the bids of the two institutions which submitted the lowest quotations and the contract had been awarded to the institution which quoted Rs.7,406,000 which exceeded the lowest quotation by 77 per cent.

- (v) Even though specifications, drawings, etc. should be prepared in terms of the Guidelines 5.1.1 (a) of the Government Procurement Guidelines the Procurement Entity had not prepared the bidding documents including specifications, drawings, etc.
  - (vi) Even though the bidding documents should contain all relevant information necessary for a prospective bidder to prepare a bid for the goods or services or works to be offered in response to the invitation to bid or (quotation) in terms of Guideline 5.2.1 (a) of the Government Procurement Guidelines the bidding documents for the above procurement had not been prepared.
  - (vii) Even though the procedures of bid opening should be recorded in the prescribed format and signed by all members of the Committee in terms of the Guideline 6.3.6 of the Government Procurement Guidelines, and the format had not been signed by all the members of the Bid Opening Committee. Even though the original bids together with the minutes relating to the bid opening should be handed over to the Chairman of the Technical Evaluation Committee in terms of the Guideline 6.3.7, those had not been so handed over.
  - (viii) Even though the services of a Consultant should have been obtained for the evaluation of the bids in terms of the Guideline 7.3 of the Government Procurement Guidelines, the services of a Consultant had not been so obtained. If the services of such Consultant had been obtained it could have been possible to execute this work for a lesser cost.
- (b) Even though the bids should have been compared to determine the lowest evaluated substantially responsive bid in terms of the Guideline 7.9.10 of the

Government Procurement Guidelines, the responsible officers of the Ministry has suspended the services of a company and awarded the contract to another company. As such, a sum of Rs.806,400 had been overpaid for the cleaning services for the year 2013/2014.

### **3.6 Uneconomic Transactions**

The particulars of a transaction uneconomically entered into revealed during the course of audit test checks are given below.

The following deficiencies were observed in connection with the contract for the planting of trees and ground preparation for the landscaping work of the Treasury grounds at a cost of Rs.7,406,000 scheduled for commencing on 10 arch 2013 and completion on 27 April 2014.

- (a) According to the agreement, the contractor had undertaken to plant 125 trees of very rare varieties for a cost of Rs.1,440,000. But very commonly grown trees such as Malabar Kino (Gammalu) Magul Karanda, Bachanania (Kiripalu) Barringtonia (Midella) and (Terminalia Arjuna) Kumbuk had been planted.
- (b) As these trees, grow up to huge trees, should have been planted beyond a considerable distance from the building. But those were planted about 3 feet away from the building. As such those would pose a hazard to the building when fully grown.
- (c) A sum of Rs.1,740,000 had been spent on 13 May 2014 for grass sodding of 11,600 square feet at Rs.150 per square foot. A sum of Rs.766,350 had been spent on 08 July 2015 to remove 7,300 square feet of grass sods from the rear section of the Treasury ground for the construction of a vehicle park.

### 3.7 Human Resources Management

#### Approve Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of vacancies	Excess
(i) Senior Level	37	31	06	-
(ii) Tertiary Level	04	04	-	-
(iii) Secondary Level	117	89	28	-
(iv) Primary Level	108	94	14	-
(v) Others (Casual)	-	15	-	15
<b>Total</b>	<b>266</b>	<b>233</b>	<b>48</b>	<b>15</b>

The following observation is made.

Approval of the Department of Management Services for 20 employees and 11 employees had been obtained according to the Letter No.DMS/C2/2/1 dated 22 April 2014. Nevertheless, there was an excess of 15 employees as at the end of the year under review.

## 4. Head 237 – Department of National Planning

### 4.1 Appropriation Account

#### Budgetary Variance

The following observations are made.

- (a) The entire provision of Rs.21,880,000 made for one Object had been saved.

- (b) Excess provisions had been made for 06 Objects and as such the savings, after the utilization of provisions, ranged from 10 per cent to 100 per cent of the net provisions relating to the respective Objects.

#### 4.2 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs.213,887 and comprised balances older than 05 years amounting to Rs.34,847 recoverable from deceased officers, Rs.34,525 recoverable from officers interdicted and a sum of Rs.144,515 recoverable from the service terminated officers.

#### 4.3 Performance

Even though the information on the activities performed by the Department in the year 2014 were called for the purposes of audit, such information had not been received even by 30 June 2015. As such the performance could not be examined by the audit.

#### 4.4 Human Resources Management

##### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	57	44	13
(ii) Tertiary Level	02	01	01
(iii) Secondary Level	28	17	11
(iv) Primary Level	29	27	02
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<b>Total</b>	<b>116</b>	<b>89</b>	<b>27</b>
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## 5. Head 238 – Department of Fiscal Policy

### 5.1 Budgetary Variance

The following observations are made.

- (i) Provision of Rs.400,000 had been made for training of staff. The savings after the utilization of Rs.292,030 by the end of the year under review, amounted to Rs.107,970 or 27 per cent of the provision made.
- (ii) According to Financial Regulation 94(1) and according to paragraph 04 of the National Budget Circular No. 01/2014 dated 01 January 2014, the availability of adequate provisions in the Objects should be ensured before incurring liabilities. But liabilities amounting to Rs.409,741 had been incurred without so ensuring.

### 5.2 Revenue Account

#### Estimated and Actual Revenue

The Department had prepared estimates of revenue for the year 2014 under two Revenue Codes totalling Rs.23,040 million and collected revenue amounting to Rs.11,586 million during the year under review. That represented 50 per cent and 215 per cent respectively of the estimated revenue. The following observations are made in this connection.

#### (a) Revenue Code 10.02.10.00 Social Responsibility Levy

According to the Revenue Account for the year under review and the statement of Arrears of Revenue furnished by the Sri Lanka Customs on 10 February 2015, the total of the arrears of revenue as at 31 December 2014 (gross value) amounted to Rs.82,306,007. Even though the recovery of this tax had been stopped in terms of the Budget Proposals of the year 2011 a satisfactory and formal procedure had not been followed for the recovery of the arrears of revenue relating to the years 2008, 2009 and 2010. Nevertheless, the Sri Lanka Customs had stated in the Statements of Arrears of Revenue as at 31 December of the years 2012, 2013 and 2014 since the amounts are recoverable from Government institutions the arrears can be recovered from the budgetary provisions in the ensuing years. But no

action had been taken even by 30 June 2015 for the recovery of the arrears of revenue.

**(b) Revenue Code 20.05.01.00 - Central Bank Profits**

The following observations are made.

- (a) A difference of Rs.300,000 existed between the total of arrears as at the end of the year 2012 and the Statement of Arrears as at 31 December 2014. As a result, the total net arrears of the Revenue Accounts as at the end of the year under review had been understated by a sum of Rs.300,000.
- (b) According to the financial statements of the Central Bank of Sri Lanka for the year 2014, a net loss of Rs.21,591,991,000 had been incurred for the year under review. According to the unnumbered letter dated 23 March 2015 of the Acting Chief Accountant of the Central Bank of Sri Lanka, a sum of Rs.8,500,000,000 had been transferred to the Consolidated Fund. Nevertheless, according to the account, the revenue collected in the year 2014 amounted to Rs.11,500,000,000 and as such the amounts stated above did not reconcile.

**5.3 Conduct of Annual Board of Survey**

According to the Public Finance Circular No. 02/2014 of 17 October 2014 every Department should conduct a Board of Survey as at 31 December 2014 and the report thereon should be forwarded to the Auditor General before 17 March 2015. Nevertheless, the report had been forwarded only on 12 August 2015 after a delay of about 5 months.

**5.4 Performance**

The observations on the progress of the Department according to the Annual Action Plan for the year 2014 are given below.

- (i) The Department should have taken action for the maintenance of a regular co-ordination through the year long supervision of revenue functions of the revenue collecting institutions for the purpose of better achievement of the targets of State



Revenue, updating of a data bank thereon and the issue of instructions thereon to the respective institutions. The original estimates of Tax Revenue and Non-Tax Revenue for the year 2014 had been reduced in the ranges of 5 per cent to 28 per cent through revised estimates while the revenue of one Revenue Code had been increased by 6 per cent. Decreases of revenue between the revised estimates and the revenue collected ranging from 5 per cent to 50 per cent were observed. An increase of 8 per cent in the revenue collected under the one Revenue Code was also observed. The revenue collected under 4 Revenue Codes as compared with the preceding year had decreased in the ranges from 3 per cent to 56 per cent.

- (ii) Even though plans had been made for holding Fiscal Policy Review Meetings with the relevant parties throughout the year by holding at least one meeting per quarter, none of the information relating thereto such as the dates of meetings, matters reviewed at the meetings, the areas, decision taken, revisions made and the Gazette Notifications issued had been furnished to audit. The information in that connection had not been even included in the Performance Report of the Department.
- (iii) It had been stated that the facility of the Value Added Tax for the work on Tsunami Reconstruction and Rehabilitation had been deferred throughout the year 2014. The information on the progress achieved in that connection had not been furnished to audit. The information in that connection had not been even included in the Performance Report of the Department.

## **5.5 Human Resources Management**

### **Approved Cadre and Actual Cadre**

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	22	14	08
(ii) Tertiary Level	03	02	01
(iii) Secondary Level	25	18	07
(iv) Primary Level	15	12	03
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<b>Total</b>	<b>65</b>	<b>46</b>	<b>19</b>
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The following observation is made.

The Mission of the Department is the “Formulation and Implementation of Fiscal Policy within the Broad Development Framework of the Government” and in reaching that Mission, the revision, analysis and evaluation of the Revenue and Expenditure Estimates and make necessary amendments thereto. Nevertheless, the posts of the Senior Economist, the Economist and the Statistician required for that purpose had been vacant over a number of years.

## 6. Head 239 – Department of External Resources

### 6.1 Appropriation Account

#### Budgetary Variance

Excess provisions had been made for 6 Objects and as such the savings, after the utilization of provisions, ranged from 18 per cent to 100 per cent of the net provisions relating to the respective Objects.

### 6.2 Performance

The observations on the progress of the Department according to the Annual Action Plan and the Performance Report for the year 2014 are given below.

According to the Action Plan for the year 2014, obtaining the sponsorship for 10 Programmes under 02 Objects from the Government of China had been expected and sponsorship for 6 Programmes only had been received. Even though the sponsorship for

07 Programmes had been expected from the Organization and Technical Assistance Division, the sponsorship for 05 Programmed only had been received.

### 6.3 Human Resources Management

#### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	54	40	14
(ii)	Tertiary Level	03	02	01
(iii)	Secondary Level	64	39	25
(iv)	Primary Level	29	23	06
	<b>Total</b>	-----	-----	-----
		150	104	46
		=====	=====	=====

## 7. Head 240 – Department of National Budget

### 7.1 Budgetary Variance

The following observations are made.

- (a) The entire net provision of Rs.20,000 made for one Object had been saved.
- (b) Excess provisions had been made for 04 Objects and as such, the savings after the utilisation of provisions, ranged from 16 per cent to 33 per cent of the net provision made for the respective Objects.
- (c) Provisions amounting to Rs.1,022,854,600 had been obtained under Financial Regulation 66 for 04 Objects for which provision had not been made in the Annual Estimates.

## 7.2 Revenue Accounts

The Department had prepared revenue estimates amounting to Rs.2,645 million under 2 Revenue Codes for the year 2014 and revenue totalling Rs.5,896 million had been collected during the year under review. Revenue amounting to 109 per cent and 230 per cent respectively of the estimated revenue had been collected. The following observations are made in that connection.

(a) Revenue Code 20.01.03.00 – Advance Account (Trading)

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The following observations are made.

- (i) Action in terms of Financial Regulation 85(2)(a) had not been taken for the revision of the estimated revenue of Rs.258,000,000 to Rs.145,000,000.
- (ii) The sums of Rs.1,051,778 and Rs.30,746,826 not credited from the net revenue earned from the Advance Account Activities of the Sri Lanka Navy in the years 2013 and 2014 respectively had not been disclosed in the account at least as arrears of revenue.

(b) Revenue Code 20.03.04.00 – Initial Payment on the Motor Cycles Supplied to Public Officers

The following observations are made in this connection.

- (i) The Department had not maintained the particulars of male and female motor cycles supplied to the officers engaged in field duties through the Ministries, Departments and District Secretariats and there was no formal methodology to establish the accuracy of the revenue credited to this Revenue Code by those institutions.

- (ii) Out of the revenue collected by the Ministries, Departments and District Secretariats revenue amounting to Rs.821,124 not relevant to this Revenue Code had been brought to account under this Revenue Code.
- (iii) The sum of Rs.364,980 paid for two female motor cycles on leaving the service had been credited to this Revenue Code. This amount had been included in the sum of Rs.821,124 identified as revenue credited in excess. The Revenue Code to which this revenue should be credited had not been identified and issued instructions thereon to the institutions concerned even by 06 July 2015.
- (iv) Even though money collected from the officers for the motor cycles had been credited to this Revenue Code, motor cycles had not been supplied to certain officers even by the end of the year 2014.
- (v) The reason for the variance between the revised estimate and the revenue collected had been stated in the Revenue Account had been due to the accounting for the initial payment for motor cycles in the year 2015 in the year 2014. The Department had not updated the books on the receipt of revenue relating to the Revenue Code. As the information relating to the revenue collected during the year only had been furnished to audit, the accuracy of the Revenue Account furnished for the Revenue Code could not be examined.

### **7.3 Advances to Public Officers Account**

The following observation is made in this connection.

The outstanding balances recoverable from the officers who had retired and vacated posts totalled Rs.463,101. Even though the outstanding balances existed over periods ranging from 5 years to 14 years those outstanding balances had not been recovered even by 30 June 2015.

#### 7.4 Imprests Accounts

The Imprest balance of the Department as at 31 December 2014 amounted to Rs.83,325. Even though that amount represented an advance for foreign travel paid to an officer in the year 2008, action had not been taken up to date to settle that amount.

#### 7.5 Unsettled Liabilities

The unsettled liabilities of the Department less than one year old as at 31 December 2014 totalled Rs.446,668,000. Out of those liabilities a sum of Rs.316,834,000 represented the installments on the leased motor vehicles and the sum of Rs.127,443,000 represented the interest on leased motor vehicles.

#### 7.6 Performance

The observations on the progress of the Department according to the Annual Action Plan for the year 2014 are given below.

- (a) Holding discussions with the agencies spending money to ensure the productivity of the activities for which expenditure is incurred and the analysis of expenditure for the supervision of financial as well as physical progress had been the functions of the Department. Out of the provision of Rs.2,751,000 million made under the Budget Support Services and Contingent Liabilities Project for the year 2014 for use in instances where provision has not been made in the Annual Estimate or in the instances in which the existing provision is inadequate for the execution of the relevant activity, a sum of Rs.165,316 million had been saved as at the end of the year without being utilized.
- (b) The Cabinet Memorandum on the purchase of motor vehicles on the Financial Lease System, submitted to the Cabinet of Ministers on 30 August 2010 with a view to disposing of motor vehicles older than 10 years or not useful economically and providing priority for preventing the hire of motor vehicles had been approved by the Cabinet of Ministers. Accordingly, 2,883 motor vehicles had been purchased under the Lease Purchase System from the year

2011 to 31 December 2014. The number of old motor vehicles disposed of and the number of hired motor vehicles discontinued from those taken on hire had been 145. Accordingly, the number of motor vehicles purchased under the lease purchase scheme had exceeded the number of disposals from the existing motor vehicles and the number of motor vehicles discontinued from those hired. A sum of Rs.4,247,750,569 had been spent in the years 2013 and 2014 as the installments and interest. Similarly, a loan of Rs.10,062,599,627 remained payable as at 31 December 2014. The number of motor vehicles purchase under this scheme in the year under review and remaining in motor vehicle parks without being distributed among the institutions even by 28 July 2015 had been 541.

## 7.7 Human Resources Management

### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
-----	-----	-----	-----
(i) Senior Level	36	24	12
(ii) Tertiary Level	02	01	01
(iii) Secondary Level	75	60	15
(iv) Primary Level	38	26	12
	----	----	----
<b>Total</b>	151	111	40
	====	====	====

## **8. Head 241 – Department of Public Enterprises**

### **8.1 Appropriation Account**

#### **8.1.1 Budgetary Variance**

The following observations are made.

- (a) The entire provision of Rs.300,000 made for one Object had been saved.
- (b) Excess provisions had been made for 05 Objects and as such, the savings, after the utilization of provisions, ranged from 30 per cent to 100 per cent of the net provisions relating to the respective Objects.

### **8.2 Revenue Accounts**

The Head of the Department had been assigned with the functions of the preparation of Revenue Estimates for 02 Revenue Codes, collection of revenue, accounting and presentation of Accounts as the Revenue Accounting Officer. The test audit of the 02 Revenue Codes revealed that though there were 199 institutions which should have been taken into account in the preparation of Estimates of Revenue under Revenue Code 20.02.03.00 – Projects of only 25 institutions had been taken into account in the preparation of Estimates of Revenue. Even though there were 52 companies which should have been taken into account in the preparation of Estimates of Revenue under the Revenue Code 20.02.04.00 – Dividends only 40 institution had been taken into account in the preparation of Estimates of Revenue.

### **8.3 Reconciliation Statement of the Advances to Public Officers Account**

According to the Reconciliation Statement as at 31 December 2014 presented to audit, the balances recoverable as at that date from the officers vacated post, retired and dismissed from service totalled Rs.596,854 and those outstanding balances had been existing over periods ranging from 6 years to 10 years. Even though legal action was being taken for the recovery of those outstanding loan balances it had not been possible to recover the balances even by 30 June 2015.



#### 8.4 Human Resources Management

##### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	29	26	03	-
(ii) Tertiary Level	01	01	-	-
(iii) Secondary Level	38	26	12	-
(iv) Primary Level	14	18	-	04
(v) Others (Contract / Casual / Temporary Basis)	01	01	-	-
<b>Total</b>	<b>83</b>	<b>72</b>	<b>15</b>	<b>04</b>

There were 15 vacancies as at the end of the year under review.

#### 9. Head 242 – Department of Management Services

##### 9.1 Budgetary Variance

Excess provisions had been made for 7 Objects and as such, the savings, after the utilization of provisions, ranged from 25 per cent to 88 per cent of the net provision relating to the respective Objects.

##### 9.2 Conduct of Annual Boards of Survey

In addition to the Annual Board of Survey for the year 2013, the Board of Survey appointed by the Department on 01 September 2014 had forwarded reports on the unusable goods. But the information on 139 items of goods recommended as unusable by the Board of Survey which conducted the subsequent survey had not been included in the Report on the Movement of Non-current Assets of the Appropriation Account.

##### 9.3 Performance

The observations on the progress of the Department according to the Annual Budget Estimates and the Action Plan for the year 2014 are given below.

### **Planning**

Instances action not taken according to the Action Plan prepared in terms of the Public Finance Circular No. 01/2014 of 17 February 2014 were observed.

- (a) The review of the staff of the District / Divisional Secretariats implemented in the year 2013 had not been completed even by 13 July 2015, the date of audit. According to the relevant file, review of staff of 15 Districts out of 25 Districts had been completed. Instead of carrying out a review of the staff of the balance 10 Districts, it had been decided to supply a model report prepared based on the draft report of the already approved Districts to the Districts Secretaries so as to enable the District Secretaries to carry out the reviews.
- (b) According to the file forwarded to audit, the work on the collection of Human Resources from the institutions in the State Sector for the preparation of the Data Bank had been commenced. An officer of the institutions had been recommended to provide the possibility of entry to the officers of the State Sector and obtaining the information of that officer was in progress at present.

## **9.4 Human Resources Management**

### **Approved Cadre and Actual Cadre**

The position of the cadre as at 31 December 2014 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
	-----	-----	-----	-----
(i)	Senior Level	22	13	09
(ii)	Tertiary Level	02	02	-
(iii)	Secondary Level	43	36	07
(iv)	Primary Level	14	14	-
	<b>Total</b>	<b>81</b>	<b>65</b>	<b>16</b>
		<b>===</b>	<b>===</b>	<b>===</b>

The following observations are made.

- (i) Out of the 16 vacancies as at the end of the year under review 09 vacancies had been in posts of the Senior Level.
- (ii) The staff as at 31 December 2014 as appearing in to the Performance Report, an excess in one post of Development Officer existed.

## **10. Head 243 – Department of Development Finance**

### **10.1 Appropriation Account**

#### **Budgetary Variance**

The following observations are made.

- (i) The entire net provisions of Rs.3,240,000 made for 02 Objects had been saved.
- (ii) Excess provisions had been made for 08 Objects and as such the savings, after the utilization of provisions, ranged from 13 per cent to 44 per cent of the net provisions relating to the respective Objects.

### **10.2 Performance**

The observations on the progress of the Department according to the Annual Budget Estimates and the Action Plan for the year 2014 are given below.

- (a) In view of the complexities of the Micro Finance Sector, the institutions and the persons connected with that sector had not reached consensus on the Micro Finance Act and due to this reason the Micro Finance Act could not be enacted from the year 2006. In view of the inability to reach consensus on the amendments to the proposed Act by the Lanka Micro Finance Association even in the year 2014, it had not been possible to enact the Act.

- (b) The paddy production, the extent cultivated and the quantity of fertilizer distributed in the year 2014, as compared with the year 2013 had been at a low level and that had been due to the unexpected drought that prevailed in the year 2014.
- (c) It had been proposed to donate 50,000 metric tonnes of rice from the surplus stocks of rice to the World Food Programme after the country attains self-sufficiency in rice and meeting the consumption requirements of the country. But the total quantity of rice provided to that organization by 31 December 2014 had been only 3,409.2 metric tonnes of rice.
- (d) Even though the consumer prices of paddy, soya beans and poultry products should have been fixed under the fixing of consumer prices for agricultural products, a guaranteed price of Rs.380 per kilogramme of chicken only had been fixed.
- (e) The uncultivated lands out of the estates given on long lease to the Estate Companies had been distributed among 12,500 young entrepreneurs for agricultural work. Even though the co-ordination of 12,500 entrepreneurs should done by the Department, that had been stopped due to the objections raised by the Estate Companies.
- (f) A proposal had been made for the grant of loans to the Regional Plantation Companies at 6 per cent interest. That proposal could not be implemented due to the inability to reach a practical consensus on the 6 per cent interest between the Banks and the representatives of the Plantation Companies.
- (g) Even though the Department had taken action to implement the Revolving Fund to meet the working capital requirements of the handicraftsmen, that programme had become inactive due to practical problems.
- (h) The Development Programme for providing relief to the people distressed due to drought and raising their living conditions implemented in 17 Districts over a

period of 3 months from 21 July 2014 had not been included in the Action Plan. Nevertheless, diverse problematic situation such as scarcity of drinking water, lack of irrigation facilities for cultivation purposes, thus being deprived of sources of daily income had arisen due to the drought. That project had not been implemented by giving consideration to the possible losses to other crops and other social and economic setbacks.

- (i) The Programme for the supply of seed paddy had not been included in the Action Plan for the year 2014. According to the Budget Proposals of the year 2015 a decision had been taken to provide seed paddy free to all farmers who were distressed due to the severe drought in the year 2013 for cultivation work of the Maha Season 2014/15. In view of the sowing of paddy for the Maha Season 2014/15 commences in the final month of the year as considered at the meeting held by the Secretary to the Ministry of Finance and Planning with the District Secretaries / Government Agents of the major paddy producing Districts, the distribution of seed paddy for the Maha Season 2014/15 had been commenced from November 2014.

### 10.3 **Human Resources Management**

#### **Approved Cadre and Actual Cadre**

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	11	10	01
(ii) Secondary Level	10	07	03
(iii) Primary Level	10	10	-
	----	----	----
<b>Total</b>	31	27	04
	====	====	====

## 11. Head 244 – Department of Trade, Tariff and Investment Policy

### 11.1 Budgetary Variance

The savings of 06 Objects ranged between 11 per cent to 69 per cent of the net provisions.

### 11.2 Assets Management

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

- (a) Deficiencies amounting to Rs.150,815 were observed between the opening balances of 21 Assets Codes as at 01 January 2014 and the Register of Fixed Assets and the Report on the Movement of Non-current Assets.
- (b) According to the Register of Fixed Assets, the total cost of 03 motor vehicles under the Code No. 5008 amounted to Rs.11,700,000 whereas it had been shown as Rs.8,400,000 in the Report on the Movement of non-current Assets of the Appropriation Account. Thus a difference of Rs.3,300,000 was observed.

### 11.3 Performance

The observations on the progress of the Department according to the Annual Action Plan for the year 2014 are given below.

- (a) Even though the Action Plan indicated that the revision of the Sensitive List and Progress Review of the South Asia Free Trade Agreement would be done throughout the year, according to the file the Sensitive List had not been revised.
- (b) In response to an enquiry made by the State Timber Corporation about 28 container loads of rosewood taken into custody by the Customs that Corporation was informed by letter dated 03 June 2014 that the methodology of disposal

cannot be decided as the Customs investigation has not been finalized. The further action taken on that matter had not been recorded in the file.

- (c) Even though report on the action taken on the problem created at a meeting of a Society of Self-employed Persons with regard to setting on fire the goods taken to custody by the Customs was called from the Director General of Customs on 01 October 2014, the follow-up action taken on that problem had not been recorded in the file.
- (d) According to the provisions in the Customs Ordinance, the Customs Duty written off in terms of Section 19(A) should be published in the Gazette as early as possible and tabled in Parliament. The action thereon is being taken by the Department. According to the file made available to audit, only the Custom Duty concessions granted up to August 2011 had been published in the Gazette and tabled in Parliament.

#### 11.4 Human Resources Management

##### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
	-----	-----	-----	-----
(i)	Senior Level	14	09	05
(ii)	Tertiary Level	10	04	06
(iii)	Secondary Level	20	18	02
(iv)	Primary Level	13	09	04
	<b>Total</b>	----- <b>57</b>	----- <b>40</b>	----- <b>17</b>
		====	====	====

## 12. Head 245 – Department of Public Finance

### 12.1 Advance Accounts under Liquidation

The following observations are made.

- (a) The following observations are made on the Liquidation Account of the Advance Account Activity Item No. 0999-08- Purchase and Sale of Tea, Rubber and Coconut Products and other Trading Goods and Formic and Acetic Acid including the Administration Expenditure of the Department Commodity Purchase.

The Committee on Public Accounts had given the approval on 19 March 2013 for the write off of the accumulated working Loss of Rs.89,879,747 as at 31 December 2012. Out of that a sum of Rs.5,954,448 had been written off on 31 December 2013 utilising the savings available in the Department. The working loss as at the beginning of the year under review amounted to Rs.83,925,299 and the balance provision of the Department as at 31 December 2014 amounting to Rs.24,633,000 had been utilised for the write off. According to the Financial Regulation 518(3) the winding up should be completed within two years. But the liquidation had not been completed by the write off of the working loss of Rs.59,292,299 further remaining in the Advance Account even by 31 December 2014 despite the elapse of over 18 years.

- (b) The following observations are made on the Liquidation Account of the Advance Account Activity Item No. 999/407 – Purchase of Collection of Local and Other Products, supply of Cold Room Facilities and Hospital Supplies of the Department of Marketing Development.

- (i) According to the Special Grant under Section 6(1) (Ordinance 454) of the State Lands Ordinance, if the transferred asset has been used by the Urban Development Authority for purposes other than applicable activities, such



properly should be taken over by the Democratic Socialist Republic of Sri Lanka. But no follow-up action had been taken on that property.

- (ii) According to the Treasury Computer Printouts, the balance of the Treasury Authorised Advance Account as at 31 December 2014 amounted to Rs.222,860,785 and that had been shown as Rs.222,681,406 in the financial statements, thus indicating a difference of Rs.179,379.
- (iii) Even though the Committee on Public Accounts had given the approval on 19 March 2013 for the write off of the accumulated working loss of Rs.222,681,022 as at 31 December 2013, the Department had failed to write off that working loss even by 21 May 2015, the date of audit. According to the Financial Regulation 518(3) the winding up should be completed within two years. But the liquidation had not been completed even by 21 May 2015 despite the elapse of 25 years by the year under review.

## **12.2 Annual Board of Survey**

Action in terms of the Financial Regulation had not been taken on the recommendations made in the Reports of the Board of Survey for the year 2014.

## **12.3 Performance**

The observations on the progress of the Department according to the Annual Action Plan for the year 2014 are given below.

- (a) Even though the revision of the Financial Regulations had been shown as a key function in the Action Plans from the years 2011 to 2014 it had not been issued even by 17 June 2015, the date of audit. Accordingly, the other activities connected therewith, that is, the conduct of an awareness programme on the Financial Regulations and the issue of a detailed Handbook for easy use had also not been done.

- (b) The work on the revision of total cost estimates for the adjustment of contract cost variances included in the Action Plans of the years 2013 and 2014 had been ceased by 17 June 2015 until reaching a decision later as the Cost Estimates Examination Committee had not been functioning.
- (c) Even though the implementation of a strategy for Government purchases for the formulation of a framework for purchases had been planned that activity had not been completed even by 17 June 2015.
- (d) The Department had introduced a Debit Card System by connecting the Official Bank Accounts of the Agencies for carrying out petty cash transactions up to Rs.100,000 in order to improve the efficiency of the financial management. Even though the Bank of Ceylon had printed 5,000 Bank Payment Cards at a cost of Rs.314,160 for making payments of State Institutions only 24 cards out of that had been issued to 16 institutions even by 01 June 2015. Out of those only 02 cards had been in active condition even by 01 June 2015.
- (e) Even though the Department had issued the Public Finance Circular No. PF/423 of 22 December 2006 for the regularization of the Statutory Funds, the Trust Funds and the Non-statutory Funds in operation under different Ministries and Departments, 61 Funds had been operated under the Ministries and Departments by the end of the year 2014. Out of those, the final accounts of 29 Funds had not been forwarded to the Department even by 07 July 2015. The financial statements not so forwarded included the financial statement of Trust Funds of 13 Economic Centres. Financial Statements relating to 07 Funds of the year 2013 had also not been forwarded to the Department.
- (f) “Action on write offs and waivers under the Financial Regulations 104 and 113” are key functions of the Department and the write offs and waivers approved by the Department in the years 2013 and 2014 amounted to Rs.6,590,795,249 and Rs.346,581,945 respectively. The larger amount included therein had been the

irrecoverable arrears of taxes of the Department of Inland Revenue and those represented 90 per cent and 60 per cent respectively of the total amounts written off and waived. The write off of advances granted in those years for the purchase of paddy had also been very high and 0.34 per cent of all total write offs and waivers in the year 2013 had increased to 32 per cent in the year 2014. As such, the loss from the advances granted in the 2014 had been more than that of the year 2013 by Rs.87,825,182. That represented an increase of 387 per cent over the preceding year. Except for granting approval for the write offs and waivers, the Department had neither taken action to create an awareness among the relevant institutions for preventing such losses nor issued instructions to be followed in that connection.

#### 12.4 Human Resources Management

##### Approved Cadre and Actual Cadre

The position of the Cadre as at 31 December 2014 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
	-----	-----	-----	-----
(i)	Senior Level	27	12	15
(ii)	Tertiary Level	04	02	02
(iii)	Secondary Level	35	30	05
(iv)	Primary Level	17	14	03
		-----	-----	-----
	<b>Total</b>	<b>83</b>	<b>58</b>	<b>25</b>
		===	===	===

The following observations are made.

- (a) Out of the 25 vacancies as at the end of the year under review 15 vacancies had been in the Senior Level.

- (b) Even though the post of Plan Implementation Assistant in the Secondary Level is not an approved post, three officers in that post had been deployed in the actual cadre.
- (c) Even though the formulation, review, improvement and practices relating to the subject of procurement management and the implementation of the Government Procurement Strategies are the key functions of Procurement Division of the Department of Public Finance, four posts of the Procurement Specialist and the Procurement Executive in the staff remained vacant.

### 13. Head 249 – Department of Treasury Operations

#### 13.1 Budgetary Variance

The savings out of the net provisions made for 8 Objects after the utilization of provisions ranged from 6 per cent to 64 per cent of the net provisions relating to the respective Objects.

#### 13.2 Revenue Accounts

The role of preparation of Revenue Estimates of 13 Revenue Codes, collection of revenue, accounting and presentation of Revenue Accounts had been devolved on the Head of Department as the Revenue Accounting Officer. The following observations were made during the course of an audit test check of those Revenue Codes.

##### (a) Revenue Code 20.03.99.00 Sale Proceeds and Charges (Other Receipts)

Even though the gross revenue collection of the year 2013 amounted to Rs.11,577,646,044 , the revenue collection of the year under review amounted to Rs.6,598,025,951. Accordingly, the revenue collection in the year under review, as compared with the preceding year had been less by Rs.4,979,620,093. The information on the matters that had an impact on the decrease of revenue had not been furnished to audit.

(b) **Revenue Code 30.01.01.00 Foreign Grants**

According to the Revenue Account presented to audit, the estimated revenue amounted to Rs.32,000,000,000. Accordingly, the revised Estimate of Revenue furnished to the Department of Fiscal Policy, that had been reduced to Rs.16,000,000,000 . The Revenue Account had been prepared without considering the revised Estimate of Revenue.

(c) **Revenue Code 20.06.02.00 Sale of Capital Assets**

The following observations are made.

- (i) The gross revenue collection of Rs.322,901,388 in the year 2013 and the collection during the year under review amounted to Rs.17,604,345,609 . Accordingly the revenue for the year under review had increased by Rs.17,281,444,221 over the preceding year.
- (ii) Out of the sum of Rs.19.82 billion received from the handover of a land of the Ministry of Defense and Urban Development in the year 2010 to a private company for Hotel Development and the sum of Rs.5.45 billion received from the investment of that money during the years 2010 to 2014 a sum of Rs.12.21 billion had been utilized for another project and the balance amount had been credited to this Revenue Code after delaying up to the end of the year 2014.

(d) **Revenue Code 20.02.02.01 - Interest on Lending**

The following observations are made.

- (i) No recoveries whatsoever had been made from the interest amounting to Rs.612,893,552 receivable on the loan of Rs.773,340,000 granted to the Sri Lanka Rubber Manufacturing and Export Corporation and it had been stated that there is an uncertainty with regard to the recovery of the interest.

- (ii) The interest receivable on the loan of Rs.11,114,479 granted to the SANASA Association amounted to Rs.2,814,034. It was stated in the Return of Arrears of Revenue that there is an uncertainty with regard to the recovery of the interest.
- (iii) The Department had not been able to recover at least a part of the outstanding interest amounting to Rs.2,567,890 that existed as at the end of the year under review in connection with the loan of Rs.111.6 million granted to the Ceylon Fisheries Corporation.

(e) **Revenue Code 20.06.04.00 – Capital Receipts – Recovery of Loans**

The following observations are made.

- (i) The Department had failed even by 30 June 2015 to make any recoveries whatsoever from the loans amounting to Rs.550,990,000 and Rs.222,350,000 granted to the Sri Lanka Rubber Manufacturing and Export Corporation in the years 1999 and 2000.
- (ii) The Department had not been able, to make any recoveries whatsoever from the loan amounting to Rs.11,114,479 granted to the SANASA Association in the year 1992 for the grant of loans to the low income persons. Even though the Association was informed to propose a methodology for payment in installments if it is not possible to pay in one lump sum, there was no response even for that.
- (iii) The Department had failed even by the end of the year under review to recover a sum of Rs.111.6 million remaining from 3 loans amounting to Rs.116 million granted to the Ceylon Fisheries Corporation in 3 occasions.
- (iv) Out of the interest free loan of Rs.50 million granted to the National Paper Company Ltd. for increasing the capacity of two Paper Factories at Valaichchenai and Embilipitiya, the amount recoverable as at the end

of the year under review amounted to Rs.35 million. The Department had failed to make any recoveries whatsoever from the outstanding loan.

- (v) Action had not been taken for the recovery of installments relating to loans amounting to Rs.1,648,908,370 granted to 8 institutions even up to end of the year under review.

(f) **Revenue Code 20.02.01.99 – Other Rentals**

The rentals on the buildings given on rent to a private institutions had been deprived of from the year 2013. Even though the audit was informed in the preceding year that enquiries as to whether those should be rented again will be made from the Divisional Secretary Colombo and furnish the information, a reply had not been received even by 15 June 2015.

**13.3 Annual Board of Survey**

The following observations are made.

- (a) An examination of the List of Share Certificate included in the Report of the Board of Survey of the cash and other financial assets in the custody of the Deputy Secretary to the Treasury (Director General of Treasury Operations) revealed the existence of Share Certificates of Companies older than 50 years. The Department had not taken action even by 30 June 2015 to ensure safety of those certificates, ensure the existence, and obtain certificates of the current value.
- (b) Even though the Board of Survey had recommended that the changes in the Share Certificates corresponding to the revisions made in the computerized register, updating in the register maintained at present and taking necessary action on the Certificates or other documents of institutions dormant at present, evidence of action taken accordingly was not made available in audit.

### 13.4 Performance

The observations on the progress of the Department according to the Action Plan are given below.

- (a) A net debit balance of Rs.20,666.79 million remained without being settled as at 31 December 2014 under 213 Imprest Accounts of Ministries and Departments. Out of that, 191 Imprests Accounts had been reconciled and settled by September 2015. There were 22 Imprest Accounts further remaining without being settled and the net debit balances of those amounted to Rs.1,124.73 million. Those balances existed over periods ranging from 01 year to 17 years.
- (b) The Department had established the Property Guarantee Fund from the interest realized from the investment of Rs.916 million in Treasury Bonds for the settlement of loans obtained by the officers deceased, fully incapacitated and retired on medical grounds. Even though changes in certain matters relating to the operation of the Fund had been identified, the Department had not taken action even by 30 June 2015 to issue a circular containing instructions relating to those matters. Even though a mutual consensus had been reached with the Banks for the settlement of the loans under the Property Guarantee within 3 months from the incident and to ignore the interest accrued during such period, the settlement of certain loans had taken a long period.
- (c) The Revolving Fund for the Purchase and Sale of the Agricultural Products had been implemented in accordance with the Budget Proposals for the year 2006 for the establishment of Stores Facilities and Marketing Network for the Purchase of Paddy and Rice. The Department had supplied funds for the purchase of paddy from the Co-operative Societies through the Paddy Marketing Board, the Department of Co-operative Development, the Department of Trade and Commerce and the District Secretariats. According to the financial records, the balance recoverable as at 31 December 2014 from the money made available from the Fund amounted to Rs.2,813.38 million. Further, out of the outstanding sum of Rs.4,217.88 million as at 01 January 2014, only a sum of Rs.1,518.27



million or 36 per cent had been settled during the year.

- (d) Sums of Rs.1,764 million and Rs.227.46 million had been released in the years 2013 and 2014 respectively to the District Secretariats for the purchase of paddy during the Yala and Maha seasons. Out of those, Rs.62.7 million and Rs.114.2 million or 4 per cent and 50 per cent respectively had been settled during each year.
- (e) Attention of the Department had not been paid to the objective of the implementation of the Fund, that is, “the establishment of Stores Facilities and Marketing Network for the Purchase of Paddy and Rice”.

### 13.5 Human Resources Management

#### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	20	14	06
(ii) Tertiary Level	01	01	-
(iii) Secondary Level	82	68	14
(iv) Primary Level	18	17	01
	-----	-----	-----
<b>Total</b>	<b>121</b>	<b>100</b>	<b>21</b>
	===	===	===

## 14. Head 250 – Department State Accounts

### 14.1 Appropriation Account

#### Budgetary Variance

Excess provisions had been made for 04 Objects and as such the savings, after the utilization of provisions, ranged between 37 per cent and 58 per cent of the net provisions relating to the respective Objects.

### 14.2 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement as at 31 December 2014 presented to audit, the balance that remained outstanding as at that date from officers deceased and vacated posts totalled Rs.297,799. Even though such outstanding balances related to periods ranging from 02 years to 05 years and legal and other steps had been taken for the recovery, those remained without being recovered even by 30 June 2015.

### 14.3 Reconciliation Statement of the Non-commercial Advance Accounts

The Department had operated two Non-commercial Advance Accounts during the year under review. The following observations are made in that connection.

#### (a) Sundry Advance Accounts

The following observations are made.

- (i) The advance balances amounting to Rs.342,644,844 existing over periods exceeding 06 years had not been settled even by 31 December 2014.
- (ii) According to the financial statements of the Department of State Accounts, the unsettled balances of advances relating to 03 District Secretariats as confirmed by the respective District Secretariats disclosed a difference of Rs.44,623,198.

- (iii) The Treasury had granted approval for a sum of Rs.158,907,691 being part of the loss of Rs.163,037,216 resulting from the sale of rice valued at Rs.1,159,223,308 purchased by the Department of Food Commissioner from the District Secretariats at prices less than the purchase price. Action had been taken for the write off of a sum of Rs.88,540,324 from the books. As such the approval and the provision for the write off of the balance loss of Rs.74,496,892 had not been received.
- (iv) Advances amounting to Rs.10,096,623 had been granted under the Financial Regulation 106 to Ministries and Departments for different purposes and out of those advances so obtained, a sum of Rs.7,688,163 had been settled by the end of the year under review. Even though the advance of Rs.2,408,460 obtained by the office of the Director of Health Services in February 2002 had existed over a period of 12 years, it was observed that a case relating to the matter for which the advance was obtained is still pending in the Courts.
- (v) The Director General of State Accounts had, by his letter No. SA/ACCTS/04/7000/2011 dated 26 January 2012, addressed to the Director General of Treasury Operations, suggested that the loan balance referred in the paragraph (iv) above and the settlement of the advance in installments by making recoveries from the imprest issued to that institution, the advance is carried forward continuously in the financial statements as action as suggested had not taken place.

#### **14.4 Unsettled Liabilities**

The unsettled liabilities of the Department, less than 01 year old as at 31 December 2014 amounted to Rs.269,974.

#### **14.5 Human Resources Management**

##### **Approved Cadre and Actual Cadre**

The position of the cadre as at 31 December 2014 had been as follows.

<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
-----	-----	-----	-----
(i) Senior Level	16	07	09
(ii) Tertiary Level	03	01	02
(iii) Secondary Level	35	28	07
(iv) Primary Level	15	09	06
	----	----	----
<b>Total</b>	<b>69</b>	<b>45</b>	<b>24</b>
	===	===	===

## 15. Head 251 – Department of Valuation

### 15.1 Non-maintenance of Registers and Books

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

<b>Type of Register</b>	<b>Relevant Regulation</b>	<b>Observation</b>
-----	-----	-----
(a) Register of Losses	Financial Regulation 110	Not maintained
(b) Register of Motor Vehicles	Financial Regulation 1647(e)	Not maintained
(c) Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978	Not updated

### 15.2 Replies to Audit Queries

Fourteen audit queries were issued to the Department of Valuation in the year 2014 and replies to 06 of those had not been furnished. The value of the quantifiable transactions relating to those audit queries amounted to Rs.2,134,950.

### 15.3 Appropriation Account

#### Budgetary Variance

The following observations are made.

- (a) Excess provisions had been made for 04 Objects and as such, the savings, after the utilization of provisions, ranged between 10 per cent to 40 per cent of the net provisions relating to the respective Objects.
- (b) The liabilities incurred under 08 Objects had exceeded the savings after the utilization of provisions by a sum of Rs.7,742,262.
- (c) The value of liabilities under 07 Objects had been understated by Rs.403,018 and the value of liabilities under 05 Objects had been overstated by Rs.2,962,630 in the Appropriation Account.

### 15.4 Imprest Account

Even though the ad hoc sub-impressts obtained should be settled immediately after the completion of the purpose in terms of the Financial Regulation 371, ad hoc sub-impressts totalling Rs.163,000 granted in 15 occasions had been settled after 04 months to 11 months after the completion of the purposes.

### 15.5 Revenue Accounts

The role of preparation of Revenue Estimates of the Revenue Code 20.03.02.09 , collection of revenue, accounting and presentation of Revenue Account had been devolved on the Head of Department as the Revenue Accounting Officer. The following observations were made during the course of an audit test of the Revenue Code.

#### (a) Revenue Code 20.03.02.09 – Fees of Valuation Department

The following observations are made.

- (i) According to the Annual Estimates the collection of revenue amounting to Rs.70 million under the Revenue Code had been estimated. A sum of Rs.110 million had been collected by the end of the year under review. That represented 157 per cent of the estimated revenue. Revenue exceeding the estimated revenue had been collected due to charging Valuation Fees on projects which were not anticipated at the time of preparing the expected revenue. The Department had prepare revised estimates of revenue and forwarded to the Department of Treasury Operations on 31 August 2014.
- (ii) According to the Revenue Account presented to audit, revenue totalling Rs.434,544,259 had been in arrears and that related to periods ranging from the year 2008 to the year 2014. The follow up action relating to the recovery of arears of revenue at a weak level.
- (iii) The Department calls for the fees after carrying out valuation. As such charging of fees had been made after carrying out the valuation of the Government institutions as well as the valuations carried out for the external institutions. The total Valuation Revenue outstanding from the external institutions from the year 2008 to the end of the year under review due to carrying out valuation on credit basis amounted to Rs.42,643,503.
- (iv) The traveling expenses connected with the computation of the revenue on Valuation Fees amounting to Rs.63,361 had been surcharged to the Appropriation (Votes) Ledger for travelling expenses instead of accounting for as revenue. As such the annual provision for travelling expenses for the year 2014 had been erroneously understated by that amount.

- (v) Revenue amounting to Rs.212,050 relating to the year 2013 had been brought to account as revenue for the year 2014 due to the failure to call for the Monthly Revenue Returns and carry out reconciliation.
- (vi) According to the Public Finance Circular No. 434 of 31 December 2008, valuations of the institutions maintained on financial assistance from the Government should be carried out without charging fees. Nevertheless, a sum of Rs.3,618,111 had been shown as arrears of revenue for the year 2014 receivable from 16 institutions maintained on financial assistance from the Government.
- (vii) Arrears of Revenue amounting to Rs.17,365,205 relating to the year 2014 had not been included in the Revenue Registers.

#### **15.6 Reconciliation Statement of the Advances to Public Officers Account**

The following observations were made during the course of the audit test checks of the Reconciliation Statement as at 31 December 2014 of the Advances to Public Officers Account Item No. 25101.

- (a) According to the Reconciliation Statement as at 31 December 2014 presented to audit, the balances that remained outstanding as at that date totalled Rs.1,125,098 and those balances related to periods ranging from 01 year to 05 years. The follow-up action on the recovery of those outstanding loan balances had been at a very weak level.
- (b) The following observations are made in connection with the loan balances of the officers deceased, retired or transferred to other Government institutions and existing over long periods.

- (i) According to the Reconciliation Statement, the loan balance existing over a period exceeding 30 years from the officers transferred out amounted to Rs.3,120 and the loan balance existing over 17 years amounted to Rs.8,796. These balances had not been settled even by the end of the year under review.
- (ii) The loan balances receivable as at 31 December 2014 from the retired and deceased officers amounted to Rs.393,389. Even though these balances existed over periods ranging from 2 years to 27 years the Department had failed to recover those loan balances even by the end of the year under review.
- (iii) Even though the loan balances amounting to Rs.508,467 recoverable from the officers who had been interdicted or vacated posts up to 31 December 2014 had been existing over periods ranging from 01 year to 20 years, the Department had failed to recover those loan balances even by the end of the year under review.

## **15.7 Good Governance and Accountability**

### **15.7.1 Annual Procurement Plan**

An Annual Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had not been prepared.

### **15.7.2 Internal Audit**

The following observations are made.

- (a) An adequate staff had not been attached to the Internal Audit. As such, out of 27 Regional Offices which should have been subjected to internal audit in the year 2014 only 3 offices had been subjected to internal audit.
- (b) The Internal Audit Programme had not been approved by the Secretary to the Line Ministry in terms of the Circular Letter No. IAI/98/2 of 03 August 1998.



### **15.7.3 Audit and Management Committee**

Even though the Audit and Management Committee of the Department should have held 04 meetings of the Committee at one meeting per quarter, only 3 meetings had been held during the year under review.

### **15.8 Assets Management**

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

#### **(a) Conduct of Annual Board of Survey**

According to the Public Finance Circular No. 02/2014 of 17 October 2014, the Annual Board of Survey for the year 2014 should have been conducted and the report thereon should have been furnished to the Auditor General before 17 March 2015. Nevertheless, those reports had not been furnished even by 31 May 2015. The last Board of Survey conducted had been for the year 2013.

- (c) Even though the value of the land on which the Departmental premises is situated had been shown as Rs.115,000,000 in the Register of Fixed Assets and that had not been included in the Report on the Movement of Non-current Assets (Note No. 01) of the Appropriation Account. Even though the lands 0.071 hectares and 70 perches in extent and the two Circuit Bungalows at Katharagama and Kandy respectively had been recorded in the Register of Fixed Assets, the costs thereof had not been shown therein. Further those assets had not been included in the Appropriation Account.

### **15.9 Non-compliances**

#### **Non-compliance with Laws, Rules and Regulations**

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 128(2)(e)	-	The Department had not laid down special arrangements for expeditious collection of outstanding revenue receivable by the Government.
(ii) Financial Regulation 128(2)(g)	-	Even though records of revenue should be obtained from all institutions and reconciled with the accounts of the Treasury, information that it had been done so had not been furnished to audit.
(iii) Financial Regulation 427(2)	142,798	The balances in the Advance Account had not been reconciled with the balances in the Treasury books.
(iv) Financial Regulations 1645 and 1646	-	The Daily Running Charts and the Monthly Performance Summaries in respect of 16 pool motor vehicles of the Department had not been furnished.
(v) Financial Regulation 1647 (e)	-	Even though the officer in charge of the motor vehicles should maintain records containing particulars such as the Brand of each motor vehicle, the model, the registration number, the date of handing over of the motor

vehicles and other details, it had not been so done.

**(b) Government Procurement Guidelines**

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(i) Guideline 4.2.3

Procurement Time Schedules had not been prepared for procurements.

(ii) Guideline 8.7.1 (a)

10,572,000

The Department had awarded the contract for the modernization of the Ground Floor of the Department Building to the Department of Buildings without adequate provision.

(iii) Guideline 8.9.1 (b)

10,572,000

The two parties had not entered into a written agreement for the contract referred to in (b)(ii) above.

**(c) Public Administration Circulars**

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Circular No. 05/98 of 21 February 1998

-

An officer who had commenced study of the course of the year 2011 had not signed the proposed agreement even by 31 December 2014.

**15.10 Performance**

The observations on the progress of the Department according to the Annual Budget Estimates and the Action Plan for the year under review are given below.

**(a) Planning**

Action in terms of the Action Plan had not been taken in the following instances.

(i) Even though 204,459 preliminary surveys of rates assessments and 200,000 final examinations of rates assessments had been planned according to the Action Plan, only 184,675 and 180,548 respectively had been executed during the year under review.

- (ii) Even though 32,000 reassessments of the works executed had been planned, only 26,290 had been executed.

### 15.11 Deficiencies in the Operation of Bank Accounts

The following observations are made.

(a) Balances for Adjustment

Information revealed at an analysis of the adjustments shown in the Bank Reconciliations Statements for December 2014 prepared by the Department for two Bank Accounts is given below.

Particulars of Adjustments	Age Analysis			Total
	Over 6 months less than 01 year	Over 01 year less than 03 years	Over 3 years	
	Rs.	Rs.	Rs.	Rs.
(i) Unrealised Deposits	44,715	12,075	278,315	335,105
(ii) Cheques issued but not presented for payment	212,088	-	-	212,088
(iii) Unidentified Credits	122,664	190,367	-	313,031

### 15.12 Irregular Transactions

Certain transactions entered into by the Department had been devoid of regularity. One such instance observed is given below.

Even though a maximum of 20 per cent of the contract value can be paid as mobilization advance in terms of the Guidance 5.4.4 (1) of the Government Procurement Guidelines, an advance of Rs.7,800,000 , that is , 74 per cent of the estimated value of Rs.10,572,000 of the contract for the modernization of the Ground Floor of the Department building had been paid on 22 December 2014.

### 15.13 Uneconomic Transactions

A transaction entered into without economy revealed during the course of audit test checks is give below.

#### Human Resources Development – Foreign Postgraduates Degree Course

The following observations are made in this connection.

- (a) An officer selected to study the above course in the year 2011 had informed that he will not participate for studying the course and by that date the Department had spent a sum of Sterling Pounds 4,170 on behalf of that officer. That expenditure had become a fruitless expenditure.
- (b) At the Meetings of the Heads of Divisions held on 13 September 2012, it had been decided that the Department would provide provisions once again only respect of 2 failed subjects of the above course. In the case of failure in more than two subjects and that the cases where an officer fails in more than two subjects the officer should personally bear such costs. Contrary to that Sterling Pounds 1,735 had been paid for three officers who had failed in more than two subjects. Even though that amount should have been recovered by the Department action for recovery had not been taken.

### 15.14 Human Resources Management

#### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

<u>Category of Employees</u>	<u>Approved Cadre</u>	<u>Actual Cadre</u>	<u>Number of Vacancies</u>	<u>Excess</u>
(i) Senior Level	86	56	30	-
(ii) Tertiary Level	362	344	18	-
(iii) Secondary Level	147	118	29	-
(iv) Primary Level	94	82	12	-
(v) Temporary	-	02	-	02
<b>Total</b>	<b>689</b>	<b>602</b>	<b>89</b>	<b>02</b>
	===	===	===	===

## **16. Head 280 – Department of Project Management and Supervision**

### **16.1 Appropriation Account**

#### **16.1.1 Budgetary Variance**

Excess provisions had been made for 4 Objects and as such the savings, after the utilization of provisions, ranged between 29 per cent to 94 per cent of the net provisions to the respective Objects.

### **16.2 Performance**

The observations on the progress of the Department according to the Annual Action Plan for the year 2014 are given below.

- (a) Even though the Government had implemented 2,262 small, medium and large scale development projects and programmes during the year 2014, out of that the information only on 136 Projects financed from foreign loans and grants exceeding Rs.500 million in each case, only had been included in the Integrated Development Information System, updated monthly, identified the problems and supervised.
- (b) Even though the evaluation of major projects and programmes selected and providing guidance for preparation of plans for the future projects is an objective of the Department, it was observed in audit that the objective could not be achieved. None of the projects had been evaluated in the years 2013 and 2014 and included in the Information System.
- (c) According to the Action Plan for the year 2014, the financial and the physical progress of the projects and programmes implemented from the local and foreign funds should have been supervised quarterly and quarterly reports should have been prepared. But no quarterly reports whatsoever had been prepared during the year 2014.

- (d) Even though provision of Rs. 3 million in the year 2013 and Rs.5 million in the year 2014 had been made for preparing the plans for the improvement of the Integrated Development Information System and the maintenance thereof for the expansion of the Supervision of Project Management and Monitoring Capacity and for entering into an agreement for the expansion of the scope, the Department had not taken action to enter into the agreement even by the end of the year under review.

### 16.3 Human Resources Management

The position of the cadre as at 31 December 2014 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
	-----	-----	-----	-----
(i)	Senior Level	35	21	14
(ii)	Tertiary Level	01	01	-
(iii)	Secondary Level	35	24	11
(iv)	Primary Level	18	14	04
	<b>Total</b>	<b>89</b>	<b>60</b>	<b>29</b>
		====	====	====

The following observations are made.

- (a) Even though the Information System such as the Integrated Development Information System for the collection of information for the supervision of projects, the Web Site Data System connected to the Line Ministry and the Evaluation Information System had been used, those activities could not be maintained at high quality as both posts of the Department related to the Information Technology Service remained vacant.
- (b) Action had not been taken even by the end of the year 2014 to fill about 1/3 of the vacancies in the approved staff as shown above. The Department had not been

able to achieve its Mission efficiently due to the lack of and adequate staff for the training of the Project Management Units for entering the information to the Integrated Development Information System and the lack of officers with good understanding of the subject of project evaluation.

**17. Head 296 – Department of Import and Export Control**

**17.1 Appropriation Account**

**Budgetary Variance**

Excess provisions had been made for 2 Objects and as such the savings, after the utilization of provisions, amounted to 27 per cent and 39 per cent of the net provisions relating to the respective Objects.

**17.2 Revenue Accounts**

The role of preparation of Revenue Estimates, collection of revenue, accounting and presentation of Revenue Account had been devolved on the Head of Department as the Revenue Accounting Officer. The audit test check of that Revenue Code revealed that the total of receipts of the Revenue Code 10.01.03.00 as Licence Fees and other receipts as receipts in the Cash book had been recorded and a classified Ledger of Revenue Received relating thereto had not been maintained.

**17.3 Performance**

The observations on the progress of the Department according to the Annual Budget Estimates and the Action Plan for the year 2014 are given below.

- (a) Examination of the Manual Cash Book of the Shroff of the Department revealed that in addition to the 13,902 Licence issued through the Software on the issue of licences operated by the Department, Licences are issued without entering the system. According to the Performance Report, the total number of licences issued had been shown as 13,468.
- (b) Even though the revenue of Rs.751.55 million appearing in the Treasury printouts had been shown as the licence revenue in the Performance Report, revenue



accounting to Rs.726.41 million through the issue of licences from the software and revenue amounting to Rs.23.32 million from the licences issued without entering the software, both totalling Rs.749.73 million had been collected. That had not been reconciled with the revenue shown in the Performance Report. Further examination of this matter revealed that the revenue amounting to Rs.751.55 million shown in the Treasury Printouts had been shown in the Performance Report as well.

#### 17.4 Human Resources Management

##### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees -----	Approved Cadre -----	Actual Cadre -----	Number of Vacancies -----
(i) Senior Level	09	06	03
(ii) Tertiary Level	02	02	-
(iii) Secondary Level	68	62	06
(iv) Primary Level	19	19	-
<b>Total</b>	----- 98 ====	----- 89 ====	----- 09 ====

#### 18. Head 323 – Department of Legal Affairs

##### 18.1 Performance

The observations on the progress of the Department according to the Annual Action Plan for the year 2014 are given below.

- (a) The total number of cases received as at 31 December 2014 for the co-ordination of the cases filed against the Secretary to the Ministry of Finance and other officers had been 146. Out of those cases only 21 cases had been finalized in the year under review. Accordingly, 125 cases had not been finalized as at the end of the year.

- (b) Out of the 110 cases referred for co-ordination by the Department of External Resources, the work on 90 files had been finalized and the co-ordination work of 20 files had not been finalised. Out of 07 files received for co-ordination from other Departments, the co-ordination works of 06 files had been finalized leaving one file on which co-ordination had not been finalized.
- (c) Even though 05 files had been received from the Departments under the Ministry for obtaining advice from the Attorney General, the work on all the files had not been finalized.

## 18.2 Human Resources Management

### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>	<b>Excess</b>
	-----	-----	-----	-----	-----
(i)	Senior Level	23	08	15	-
(ii)	Secondary Level	06	03	03	-
(iii)	Primary Level	07	03	04	-
(iv)	Others (Temporary Basis)	-	02	-	02
		---	----	----	----
	<b>Total</b>	<b>36</b>	<b>16</b>	<b>22</b>	<b>02</b>
		==	===	==	==

## 19. Head 324 – Department of Management Audit

### 19.1 Performance

The observations on the progress of the Department according to the Annual Budget Estimates and the Action Plan for the year 2014 are given below.

- (a) Even though the conduct of Training Programmes and Seminars for the capacity development of Internal Audit Officers had been planned according to the Action Plan for the year 2014, the number of such programmes to be conducted during the

year had not been included in the Action Plan.

- (b) Out of the proposed number of 250 officers expected for participation in the 3 Workshops conducted only 150 officers had participated. As such only 64 per cent of the total expected participants had participated. Therefore it was not possible to be satisfied in audit with regard to the outcome as compared with the resources contribution made for the conduct of the workshops.
- (c) Even though the strengthening of the Internal Audit through the process of Audit and Management Committees, guidance and forging direct connection thereto by giving Treasury Orders is a function of the Department of Management Audit, the number of meetings to be held by Audit and Management Committees and the periods had not been stated in the Action Plan.
- (d) Plans had been made for the formulation of Guidelines in the year 2014. An examination of the Action Plan revealed that the issue of the Guidelines on Performance Audit Planned from the year 2013 had taken 02 years up to the year 2015.
- (e) Even though 04 meetings of the Audit and Management Committees should be held at 01 meeting per quarter, only 03 meetings had been held for the 16 Departments under the Ministry of Finance and Planning.
- (f) The other Ministries also had not held the meetings of the Audit and Management Committee in accordance with the Circular No. DMA/2009(01) dated 09 June 2009 due to lack of proper guidance and planning. As such there were 2 Ministries which had not held even one meeting, one Ministry which had held one meeting, 05 Ministries which had held only 02 meetings and 21 Ministries and Government Institutions which had held only 03 meetings.

## 19.2 Human Resources Management

### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	17	10	07
(ii)	Secondary Level	20	17	03
(iii)	Primary Level	11	09	02
	<b>Total</b>	<b>48</b>	<b>36</b>	<b>12</b>
		====	====	====

## 20. Head 329 – Department of Information Technology Management

### 20.1 Appropriation Account

#### Budgetary Variance

The following observations are made.

- (a) The entire net provision of Rs.350,000 made for 2 Objects had been saved.
- (b) Excess provision had been made for one Object, and as such the savings, after the utilization of provision, had been 62 per cent of the net provision made for that Object.

### 20.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provision in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations -----	Value -----	Non-compliance -----
	Rs.	
<b>(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka</b> -----		
(i) Financial Regulation 780	196,137	Lack of economy and efficiency in the execution of works and services of the Government.
<b>(b) Government Procurement Guidelines</b> -----		
Guideline 3	3,177,162	Newspaper advertisements had been designed and published without following the procurement process.

### 20.3 Performance

Out of the provision of Rs.5,000,000 made for the purchase of computers and servers for the Integrated Treasury Management Information System (ITMIS) planned for implementation in the year 2014 a sum of Rs.935,684 only had been utilised as the procurement had not been made in the year.

### 20.4 Human Resources Management Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees -----	Approved Cadre -----	Actual Cadre -----	Number of Vacancies -----
(i) Senior Level	8	2	6
(ii) Tertiary Level	1	1	0
(iii) Secondary Level	27	11	16
(iv) Primary Level	13	6	7
(v) Others (Casual / Temporary / Contract Basis)	2	2	-
	----	----	----
<b>Total</b>	<b>51</b> ==	<b>22</b> ==	<b>29</b> ==

**21. Report of the Auditor General on the Financial Statements of the Democratic Socialist Republic of Sri Lanka for the year ended 31 December 2014**

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The audit of financial statements of the Democratic Socialist Republic of Sri Lanka for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations appear in this Report. The Management Audit Report for the year under review was furnished to the Deputy Secretary to the Treasury on 14 July 2015.

**21.2 Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of

financial statements that are free from material misstatements whether due to fraud or error.

### **21.3 Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **21.4 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 2.4 of this report.

### **21.5 Financial Statements**

#### **21.5.1 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 2.4 of this report the financial statements give a true and fair view of the financial position of the Democratic Socialist Republic of Sri Lanka as at 31 December 2014 and its financial

performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

### 21.5.2 Financial Performance

The financial performance of the Democratic Socialist Republic of Sri Lanka for the year ended 31 December 2014 as compared with the preceding year is given below.

Revised Budget Estimates for the year 2014		2014	2013 Actual
<u>Rs. Millions</u>		<u>Rs. Millions</u>	<u>Rs. Millions</u>
	<b>Revenue</b>		
264,400.0	Income Tax	198,114.6	205,665.6
627,875.0	Taxes on Local Goods and Services	556,002.7	498,526.3
275,725.0	Taxes on International Trade	233,808.0	219,451.3
<b>1,168,000.0</b>	<b>Tax Revenue</b>	<b>987,925.3</b>	<b>923,643.2</b>
<b>163,450.0</b>	Non-tax Revenue and Others	<b>139,706.1</b>	<b>142,604.2</b>
<b>1,331,450.0</b>	<b>Total Revenue (a)</b>	<b>1,127,631.4</b>	<b>1,066,247.4</b>
	<b>Less : Expenditure</b>		
335,118.8	Salaries, Wages and other Service Benefits	333,860.1	306,889.2
179,707.1	Other Goods and Services	176,802.2	130,477.0
474,136.6	Subsidies, Grants and Transfers	412,601.4	351,387.7
447,211.8	Interest Payment	446,393.0	464,529.4
488.1	Other Recurrent Expenditure	383.2	225.6
<b>1,436,662.3</b>	<b>Total of All Recurrent Expenditure (b)</b>	<b>1,370,045.9</b>	<b>1,253,508.9</b>
<b>105,212.3</b>	<b>Revenue Deficit (a) – (b)</b>	<b>242,414.6</b>	<b>187,261.5</b>
671,657.5	Government Investments	595,710.6	455,578.2
<b>776,869.8</b>	<b>Budget Deficit</b>	<b>838,125.2</b>	<b>642,839.7</b>



<b>Financing of Budget Deficit</b>			
-----			
646,008.1	Foreign Borrowings	422,542.9	183,317.2
(107,000.0)	Repayment of Foreign Loans	(106,979.2)	(94,895.9)
-----			
<b>539,008.1</b>	<b>Net Foreign Borrowings</b>	<b>315,563.7</b>	<b>88,421.3</b>
13,400.0	Foreign Grants	9,415.0	15,859.0
-----			
<b>552,408.1</b>	<b>Total Foreign Financing</b>	<b>324,978.7</b>	<b>104,280.3</b>
989,233.2	Domestic Non-Banking Borrowings	965,449.4	1,089,696.2
(551,719.2)	Repayment of Domestic Borrowings	(528,987.3)	(607,623.0)
-----			
<b>437,513.9</b>	<b>Net Domestic Borrowings</b>	<b>436,462.1</b>	<b>482,073.2</b>
14,750.0	Recovery of Loans	14,892.4	15,968.5
300.0	Sale of Capital Assets	17,604.4	280.3
-	Net Difference in Deposit Accounts and Liabilities	16,916.6	7,639.6
-	Increase / (Decrease) of Cash and Ready Cash	27,271.0	32,597.8
-----			
<b>1,004,972.1</b>	<b>Total Financing</b>	<b>838,125.2</b>	<b>642,839.7</b>
=====			

### 21.5.3 Financial Position

A comparison of the Assets and Liabilities of the Democratic Socialist Republic of Sri Lanka as at the end of the year under review and the preceding year is given below.

	As at 31 December	
	2014	2013
	<u>Rs. Millions</u>	<u>Rs. Millions</u>
<b>Financial Assets</b>		
Loans to Public Officers	23,396.3	23,012.2
Advances to Government Departments	9,679.0	9,229.9
Memberships Fees	3,517.2	3,517.2
Lending	207,966.0	370,618.1
Government Contribution to Enterprises owned by Government	397,837.3	212,976.3
Stamp Stock Account	1,244.4	971.0
<b>Total of Financial Assets</b>	<b>643,640.2</b>	<b>620,324.7</b>
	=====	=====
<b>Liabilities</b>		
Bank Overdraft	164,347.9	137,076.8
Advances from the Central Bank	143,898.0	109,271.8
Foreign Loans Revolving Fund	25,835.3	22,586.7
Sundry Funds	1,284.8	1,386.5
Government Borrowings	6,577,431.5	5,996,496.3
Deposits and Other Liabilities	62,723.5	83,410.4
Operating Account with Government Departments	(4,315.0)	(4,905.3)
Sundry Accounts	(29.5)	(380.5)
<b>Total Liabilities</b>	<b>6,971,176.5</b>	<b>6,344,942.9</b>
Contingencies Fund	140.0	140.0
<b>Total of Liabilities and Contingencies Fund</b>	<b>6,971,316.5</b>	<b>6,345,082.9</b>
	=====	=====
<b>Total of Liabilities exceeding Financial Assets and the Balance of Contingencies Fund</b>	<b>6,327,676.3</b>	<b>5,724,758.2</b>
	=====	=====

Consolidated Fund – Accumulated Deficit	356,664.8	312,477.1
Total Investments in Physical Assets and the Accumulated Net Revenue Deficit	5,971,011.5	5,412,281.1
	-----	-----
	<b>6,327,676.3</b>	<b>5,724,758.2</b>
	=====	=====
<b>Commitments and Contingencies</b>	<b>519,273.9</b>	<b>362,923.5</b>

#### 21.5.4 Accounting Deficiencies

The following observations are made.

- (a) Even though it was shown in the financial statements that the Capital Contribution of the General Treasury relating to 08 Enterprises owned by Government amounted to Rs.323,375 million, the total of the Capital Contribution confirmed directly by those institutions amounted to Rs.373,868 million. Accordingly, the Capital Contribution relating to those 08 institutions had been understated by Rs.50,493 million in the financial statements.
- (b) According to the Reports of the Boards of Survey carried out on Investment Certificates, the value of the Investments relating to 03 institutions had been understated by Rs.14,562 million while value of the Investments relating to 13 institutions had been overstated by Rs.17,267 million in the financial statements.
- (c) In comparison of the total of the Repayable Foreign Loan Balance included in the Account No.8343 under liabilities in the financial statements of the year under review and the total of the loan balance shown in the 854 – 1 report of the Department of External Resources, it was shown an overstatement of the loan balance by Rs.2,917 million relating to 81 loan agreements and understatement of loan balance by Rs.3,328 million relating to 90 loan agreements in the financial statements.
- (d) The unsettled liabilities totalling Rs.180,182 as at 31 December 2014 comprising liabilities for Recurrent Expenditure amounting to Rs.85,321 million and liabilities for Capital Expenditure amounting to Rs.94,861 million shown in the DGSA 8 (i), 8(ii) and 8(iii) formats of the Appropriation Accounts furnished in

the year under review relating to 206 Heads, had not been disclosed in the financial statements.

- (e) The total liabilities entered into by the Treasury as at the end of the year under review amounting to Rs.10,062 million for 24,107 vehicles (including 21,498 motor bicycles) purchased under leasing facility had not been disclosed in the financial statements.

#### **21.5.5 Bank Overdraft**

The Bank Overdraft according to the financial statements for the year 2014 amounted to Rs.164,348 million and the composition of that had been shown in Note 26 of the financial statements.

The following observations are made in this connection.

- (a) The above bank overdraft was made up by total of 13 bank accounts and the overdraft balances of 02 bank accounts out that bank accounts totalled Rs.201,035. The above balance had been computed by settling off the favorable balances of 11 bank accounts totalling Rs.36,687 million.
- (b) The balance of the bank overdraft of 11 accounts out of 14 bank accounts under the Account (8020) of the Deputy Secretary to the Treasury totalled Rs.173,966 million. Out of that 11 accounts the total of the overdraft balance of 03 accounts had been Rs.189,461 million. The favorable balances of other 08 accounts totalling Rs.15,495 million had been set off and the resultant bank overdraft balance of Rs.173,966 million had been shown in the financial statements. As such the bank overdraft balance had increased by Rs.16,536 million as compared with the overdraft balance of the preceding year.
- (c) An Interest amounting to Rs.11,866 million had been paid in the year under review for 03 bank overdrafts relating to 02 state banks under the Account of the Deputy Secretary to the Treasury and it was increased by Rs.1,604 million as compared with the preceding year.
- (d) The balance of the imprest Account No.7002/0000/00/0075/0097/000 of the Department of Motor Traffic – Head 307 amounting to Rs.53.58 million remained

from the year 1997 had not been settled and shown in the financial statements throughout the period for 18 years.

- (e) Four debit balances totalling Rs.18,401,706 and one credit balance amounting to Rs.15,000 remained for a period ranging from 08 to 14 years had included in the balance of the Treasury Authorized Imprest Account (7003) for the Reimbursable Foreign Aid as at 31 December 2014. Those balances had not been settled even by the end of the year under review.

#### **21.5.6 General Deposit Account**

The following observations are made.

- (a) A sum of Rs.300 million had been accounted as an expenditure under Object 277-1-1-0-2502 to establish a Revolving Fund for production of grain in terms of the letter No.PF/FD/04/148 of the Director General of Public Finance dated 31 October 2014 and retained in the General Deposit Account No.6000/0000/00/0011/0602. That deposit had remained idle even by 31 December 2014 without taking actions according to the instructions stated in the letter of the Director General thereon.
- (b) Deposit balances totalling Rs.66.3 million had been retained in the General Deposit Account (No.6003) throughout the period ranging from 02 to 04 years. Action had not been taken by the Chief Accounting Officers and Accounting Officers to settle these lapsed deposits in terms of the Financial Regulation 571 even by 31 December 2014.

#### **21.5.7 Losses and Damage**

A sum of Rs.383.21 million had been shown as losses and write offs under Head 66 by the end of the year under review. The value of the losses and write offs had increased by Rs.157.59 million as compared with the losses and write offs of Rs.225.62 million of the preceding year. The following observations are made in this connection.

- (a) The value of the losses and damages totalling Rs.537.74 million which should be recovered had not been disclosed in the DGSA 7 format in the Appropriation Accounts relating to 26 Heads.
- (b) The value of the losses and damages written off from the books according to the DGSA 7 Formats of the Appropriation Accounts relating to 21 Heads received by audit had been Rs.59.82 million and the value of the losses and damages under Object 1701 in the financial statements amounted to Rs.18.22 million. According to the comparison made on the information received by audit a difference of Rs.41,601,723 was observed.

#### **21.5.8 Capital Contribution to Government owned Enterprises**

The total capital contribution in 121 Government owned Enterprises as at the end of the year under review amounted to Rs.397,837.33 million. A sum of Rs.189,719.82 million had been invested in 06 institutions during the year under review and it was 47.7 percent of the total investments.

The following observations are made in this connection.

- (a) The value of the investments amounting to Rs.12.4 million in 06 Government owned Enterprises had not been confirmed and furnished to audit.
- (b) Even though a sum of Rs.40.00 million had been shown as the Government Capital Contribution of Sri Lanka Export Credit Insurance Corporation in the financial statements, the balance confirmed by the Corporation had been Rs.30.00 million. Thus a sum of Rs.10.00 million had been overstated in the financial statements.
- (c) The certificates for the shares valued at Rs.9,689.84 million invested in the shares of the 49 enterprises with Government Capital Contribution had not been furnished to the Annual Boards of Survey. Therefore the particulars relating to investment of those shares had not been included in the Boards of Survey Report.

Accordingly the information relating to the accuracy of the investments of all this shares had not been furnished to audit.

### 21.5.9 Foreign Loans and Grants

According to the Budget estimates for the year under review, sums of Rs.205,692.60 million and Rs.32,000.00 million had been estimated as Foreign Loans and Foreign Grants respectively. It had been a decrease of Rs.1,579.63 million or 0.8 per cent less than the revised foreign loan estimate of the preceding year and an increase of Rs.18,572.43 million or 58 per cent more than the revised foreign grant estimate. Similarly, the original estimate for foreign loans in the year under review had been increased by Rs.440,315.5 million up to Rs.646,008.1 million and the original estimate for foreign grants had been decreased by Rs.18,599.99 million up to Rs.13,400.01 million. Details are given in the following table.

Loan Category	Annual Estimate	Revised Estimate	Actual Receipts	Annual Provisions for Expenditure	Annual Expenditure	Savings
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
Foreign Loans	205,692.60	646,008.10	422,542.97	256,791.38	222,578.73	34,212.65
Foreign Grants	32,000.00	13,400.01	9,415.03	13,563.31	8,888.29	4,675.02

The following observations are made in this regard.

- (a) Even though a sum of Rs.422,542.97 had been shown as Receipts of the foreign loans during the year under review, a sum of Rs.256,791.38 million had been shown as the provisions of foreign loan financing. Therefore according to the expenditure estimate, 61 per cent of foreign loans out of the provisions made under foreign loan financing had been received.
- (c) Even though provisions of Rs.2,948.97 million had been made for 07 Objects under foreign loan financing, the provisions ranged from Rs.3 million to Rs.600 million had remained underutilized.

- (c) Provisions for capital expenditure amounting to Rs.13,563.31 million had been made under foreign grant financing during the year under review and out of that Rs.8,888.29 million or 65.5 per cent out of the provisions made had been utilized.
- (d) The provisions of Rs.2,556.28 million made for 41 Capital Objects under 16 Heads had been estimated for financing, under the foreign grants. But some projects had not been implemented as at the end of the year under review and as such the provisions ranged from Rs.0.1 million to Rs.600.0 million out of the provisions made for those Objects had been saved.

#### **21.5.10 Advance Account**

Even though the approval should be obtained to vary or alter the limits authorized by parliament for the advance account activities stated in the third Schedule in terms of the Section 08 of the Appropriation Act No.36 of 2013, with a proposal passed by Parliament on or before 31 May 2015, the limits authorized by parliament for the following authorized advance account activities had not been complied with.

##### **(a) Excess of Maximum Expenditure Limit**

The maximum expenditure limit authorized by parliament for the following advance account activity under the following Item Number had been exceeded.

<b>Item Number</b>	<b>Advance Account Activity</b>	<b>Authorized Expenditure Limit</b>	<b>Actual Expenditure</b>	<b>Excess of Limit</b>
-----	-----	-----	-----	-----
		Rs.	Rs.	Rs.
26301	Advances to Public Officers Account	35,000,000	35,007,619	619



**(b) Shortfall of Minimum Receipts Limit**

The minimum receipts authorized by parliament for the advance account activities under the following item numbers had been shortfallen.

<u>Item Number</u>	<u>Advance Account Activity</u>	<u>Minimum Receipts Limit</u>	<u>Actual Receipts</u>	<u>Shortfall</u>
		Rs.	Rs.	Rs.
22401	Advances to Public Officers Account	390,000,000	352,302,705	37,697,295
25901	Advances to Public Officers Account	27,000,000	25,725,987	1,274,013
27101	- do -	20,000,000	14,259,069	5,740,931
27301	- do -	33,000,000	30,737,538	2,262,462
32001	- do -	155,000,000	152,416,842	2,583,158

**21.5.11 Sub – loans granted to Local Institutions**

The following observations are made.

- (a) The accuracy of the loan balances relating to 24 sub loan agreements which given to local institutions amounting to Rs.25,467.96 as at 31 December 2014 could not be satisfactorily verified due to non – conformation of those loan balances by the relevant institutions.
- (b) Even though the loan balances amounting to Rs.452.95 million relating to 06 sub loan agreements as at 31 December 2014 had been shown in the financial statements, the value of the loan balances confirmed by those institutions had been Rs.438.79 million. Therefore the value of the loans relating to 09 institutions totalling Rs.14.16 million had been overstated in the financial statements.

## **21.6. Financial and Operating Review**

### **21.6.1 State Revenue**

According to the Annual Budget Estimate relating to 99 Revenue Codes for the year under review, it was estimated the total revenue as Rs.1,447,071 million. Nevertheless according to the revised revenue estimate, the total State Revenue had been revised by Rs.115,621 million up to Rs.1,331,450 million. That represented a percentage of 8 per cent of the original estimated revenue and the actual revenue had been Rs.1,127,631 million. The following observations are made in this connection.

- (a) The original estimated revenue of 79 revenue codes out of 99 total revenue codes amounted to Rs.1,428,981 million and the revised estimated revenue amounted to Rs.1,317,925 million. Accordingly, it was varied by Rs.111,056 million or ranged between 0.1 per cent to 1460 per cent of the original estimated revenue.
- (b) The revised estimated revenue under 04 revenue codes in the year under review amounted to Rs.325 million and the collected revenue had been Rs.873 million. Accordingly the revenue had been collected exceeding the revised estimated revenue by Rs.548 million or 169 per cent.
- (c) Revenue amounting to Rs.29.4 million had been collected by the end of the year under review under 04 revenue codes which had not been estimated to collect revenue according to Annual Budget Estimates 2014.
- (d) According to the revised revenue estimates of 26 revenue codes, it was expected to collect revenue amounting to Rs.663,350 million. Nevertheless, a sum of Rs.492,950 million out of that had only been collected by the end of the year under review. Accordingly, it was not reached the targets mentioned in the revised revenue estimates when collecting revenue under those 26 revenue codes.

- (e) The actual revenue under 06 revenue codes in the year under review amounted to Rs.16,386 million and the actual revenue for the preceding year relating to those 06 revenue codes amounted to Rs.38,282 million. Accordingly, the collected revenue for the year under review had been decreased by Rs.21,896 million as compared with the preceding year. It was ranged from 45 per cent to 90 per cent of the collected revenue in the preceding year.
- (g) According to the Arrears of Revenue Report prepared by the Department of Treasury Operations, the particulars relating to the revenue amounting to Rs.8,685 million identified as arrears of revenue as at the end of the year under review had not been included in the financial statements. Details are as follows.

Revenue Codes -----	Particulars -----	Value ----- Rs.Million
<b>Revenue from Government Assets</b>		
20.02.01.01	- Rent on Government Buildings	212.63
20.02.02.01	- Interest on Lending	3,933.62
20.02.02.99	- Others	0.12
<b>Sales Proceeds and Fees</b>		
20.03.02.99	- Sundries	2.47
20.03.99.00	- Other Receipts	0.01
20.06.04.00	- Recovery of Loans	4,536.11
	Total	8,684.96 =====

- (g) Revenue amounting to Rs.116 million relating to the period from July 2013 to July 2014 and a revenue of Rs.969 million relating to the period from January 2013 to December 2013 had been collected by the Sri Lanka Navy from the Malima Hospitality Service, and from the services of earning foreign exchange provided such as keeping weapons of the foreign ships securedly and providing training for sea masters respectively out of the services provided for external parties. Even though that revenue should be credited to the Consolidated Fund, no

revenue whatsoever, out of that had been credited to the Consolidated Fund in the years 2013 and 2014. Accordingly, the revenue had been understated by Rs.1,085 million in the financial statements of the Republic.

### **21.6.2 Public Expenditure**

In terms of provisions in the Article 148 of the Constitution of the Democratic Socialist Republic of Sri Lanka, the full control over Public Finance is devolved in the Parliament. The provisions required for the public expenditure for the year 2014 had been made by the Appropriation Act No 36 of 2013 as amended by the Appropriation Act No.47 of 2014 (amendment). Accordingly, provisions of Rs.2,767 billion had been made under 208 Heads for the year 2014. The details appear below.

<b>Source</b>	<b>Capital Provisions</b>	<b>Recurrent provisions</b>	<b>Total provision</b>
-----	-----	-----	-----
	Rs.Billions	Rs.Billions	Rs.Billions
Provisions made for Expenditure of Public Services by the Appropriation Act No.47 of 2014 (Amendment)	700	993	1,693
Provisions to be credited to the Consolidated Fund for which approval received under existing Law	610	448	1,058
Additional provisions for special Law Services	12	4	16
	-----	-----	-----
<b>Total</b>	<b>1,322</b>	<b>1,445</b>	<b>2,767</b>
	=====	=====	=====

The following observations are made in this regard.

- (a) The provisions totalling Rs.9,777.04 million comprising Rs.935.91 million made for 122 Recurrent Objects under 61 Heads and Rs.8,841.13 million made for 247 Capital Objects under 83 Heads had not been utilized even by the end of the year under review.

- (b) The provisions totalling Rs.68,632.2 million had been made for 729 Recurrent Objects and out of that a sum of Rs.27,638.3 million had been utilized. Accordingly, provisions of Rs.40,993.9 million had been saved. Those savings had ranged from 26 per cent to 99 per cent of the net provisions. Details are given below.

Savings as a Percentage of Provisions	Number of Heads	Number of Objects	Provisions Rs.Millions	Utilization Rs.Millions	Savings Rs.Millions
76 to 99 per cent	60	111	7,022.8	1,371.6	5,651.2
51 to 75 per cent	81	170	33,127.1	10,522.4	22,604.7
26 to 50 per cent	124	448	28,482.3	15,744.3	12,738.0
Total		729	68,632.2	27,638.3	40,993.9

- (c) Provisions totalling Rs.151,342.2 million had been made for 909 Capital Objects and provisions totalling Rs.76,358.2 million out of that had been utilized by the end of the year under review. Accordingly, provisions of Rs.74,984.0 had been saved. Those savings had ranged from 26 per cent to 99 per cent of the net provisions made.

Details are given below.

Savings as a Percentage of Provisions	Number of Heads	Number of Objects	Provisions Rs.Millions	Utilization Rs.Millions	Savings Rs.Millions
76 to 99 per cent	83	217	10,417.6	1,194.4	9,223.2
51 to 75 per cent	120	266	66,237.2	26,091.9	40,145.3
26 to 50 per cent	142	426	74,687.4	49,071.9	23,615.5
Total		909	151,342.2	76,358.2	74,984.0

### 21.6.3 Budget Deficit

According to the revised budget estimate for the year under review, the budget deficit amounted to Rs.777 billion and the corresponding budget deficit for the preceding year amounted to Rs.664 billion. Accordingly, the budget deficit for the year under review had increased by Rs.113 billion or 17 per cent as compared with the preceding year. According to the financial statements for the year 2014, the actual budget deficit had been Rs.838 billion and the actual budget deficit for the preceding year amounted to Rs.777 billion. Accordingly, the actual budget deficit for the year under review had increased by Rs.61 billion as compared with the preceding year. The actual budget deficit for the year under review had been 8.5 per cent of the domestic production.

### 21.6.4 Liabilities of the Republic

According to the financial statements, the gross liabilities of the Republic as at the end of the year under review amounted to Rs.6,971,176 million and as compared with the gross liabilities of Rs.6,344,943 for the preceding year, it was increased by Rs.626,233 million or 10 per cent. Details appear below.

Liability	As at 31 December		Difference (Decrease/ Increase)	(Decrease)/ Increase as a Percentage
	<u>2014</u>	<u>2013</u>		
	Rs.Millions	Rs.Millions	Rs.Millions	
Bank Overdraft	164,348	137,077	27,271	20
Central Bank Advances	143,898	109,272	34,626	32
Foreign Loans Revolving Fund	25,835	22,587	3,248	14
Sundry Funds	1,285	1,386	(101)	7
Public Debt Accounts	6,577,431	5,996,496	580,935	10
Deposits and Other Liabilities	62,723	83,410	(20,687)	25
Liabilities Account of the State Departments	(4,315)	(4,905)	590	12
Sundry Accounts	(29)	(380)	351	92
Total	<u>6,971,176</u>	<u>6,344,943</u>	<u>626,233</u>	